

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 43, 51, 54, 61, 64, and 69

[WC Docket Nos. 25–311, 25–208; FCC 26–11; FR ID 335397]

Reforming Legacy Rules for an All-IP Future; Accelerating Network Modernization

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: In this document, the Federal Communications Commission (Commission) adopted a Notice of Proposed Rulemaking seeking to accelerate network modernization by proposing to reform regulations that have hindered the transition to all-internet Protocol (IP) networks. Building upon the Commission's longstanding efforts to reform the legacy intercarrier compensation (ICC) framework, the Commission proposes to move remaining ICC charges to a bill-and-keep framework and detariff them, and invites comment on this proposal. To enable carriers to recover costs from their end users, the Commission proposes to eliminate ex ante pricing regulation and tariffing of end-user charges, also referred to as Telephone Access Charges (TACs). Following the transition of ICC charges to bill-and-keep, the Commission seeks comment on phasing out Connect America Fund Intercarrier Compensation (CAF ICC) support. The NPRM also seeks comment on removing remaining regulatory obligations—including tariffing and outdated account information exchange requirements—for interstate and international long-distance services, given the longstanding competitiveness of these markets. In addition, the Commission seeks comment on the elimination of regulations that will no longer be necessary in a post-Time-Division Multiplexing (TDM) environment and invites input on a transitional framework to ensure regulatory and market stability during the shift to an all-IP marketplace. Finally, the Commission encourages commenters to identify ways to promote technological modernization while enhancing long-term efficiency, competition, and service quality for consumers. In all these reforms, the Commission intends to proceed thoughtfully, mindful of the complex issues, transition timelines, and paramount connectivity goals.

DATES: Comments are due on or before May 26, 2026; reply comments are due on or before June 22, 2026. Written

comments on the Paperwork Reduction Act proposed information collection requirements must be submitted by the public, Office of Management and Budget (OMB), and other interested parties on or before May 26, 2026.

ADDRESSES: Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments and reply comments. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS). You may submit comments, identified by WC Docket Nos. 25–311 and 25–208 by the following methods:

- **Electronic Filers:** Comments may be filed electronically using the internet by accessing the ECFS: <https://www.fcc.gov/ecfs/search/search-filings>.

- **Paper Filers:** Parties who choose to file by paper must file an original and one copy of each filing.

- Filings can be sent by hand or messenger delivery, by commercial courier, or by the U.S. Postal Service. All filings must be addressed to the Secretary, Federal Communications Commission.

- Hand-delivered or messenger-delivered paper filings for the Commission's Secretary are accepted between 8:00 a.m. and 4:00 p.m. by the FCC's mailing contractor at 9050 Junction Drive, Annapolis Junction, MD 20701. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.

- Commercial courier deliveries (any deliveries not by the U.S. Postal Service) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.

- Filings sent by U.S. Postal Service First-Class Mail, Priority Mail, and Priority Mail Express must be sent to 45 L Street NE, Washington, DC 20554.

- **People with Disabilities.** To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an email to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202–418–0530.

In addition to filing comments with the Secretary, a copy of any comments on the Paperwork Reduction Act proposed information collection requirements contained herein should be submitted to the Federal Communications Commission via email to PRA@fcc.gov and to Nicole Ongele, FCC, via email to Nicole.Ongele@fcc.gov.

FOR FURTHER INFORMATION CONTACT: For further information about this proceeding, please contact Erik Raven-Hansen, Pricing Policy Division,

Wireline Competition Bureau, at (202) 418–1532, erik.raven-hansen@fcc.gov, or Irina Asoskov, Pricing Policy Division, Wireline Competition Bureau, at (202) 418–2196, irina.asoskov@fcc.gov. For additional information concerning the Paperwork Reduction Act proposed information collection requirements contained in this document, send an email to PRA@fcc.gov or contact Nicole Ongele at (202) 418–2991.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Notice of Proposed Rulemaking (NPRM) in WC Docket Nos. 25–311, 25–208; FCC 26–11, adopted on February 18, 2026, and released on February 19, 2026. The full text of this document is available for public inspection at the following internet address: <https://docs.fcc.gov/public/attachments/FCC-26-11A1.pdf>.

Ex Parte Rules: The proceeding this document initiates shall be treated as a “permit-but-disclose” proceeding in accordance with the Commission's ex parte rules. Persons making ex parte presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral ex parte presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the ex parte presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during ex parte meetings are deemed to be written ex parte presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written ex parte presentations and memoranda summarizing oral ex parte presentations, and all attachments thereto, must be filed through the electronic comment filing system

available for that proceeding, and must be filed in their native format (e.g., .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's ex parte rules.

Paperwork Reduction Act Analysis: This document may contain proposed new or revised information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995, Public Law 104–13. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107–198, see 44 U.S.C. 3506(c)(4), we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.

Providing Accountability Through Transparency Act: Consistent with the Providing Accountability Through Transparency Act, Public Law 118–9, a summary of this Notice of Proposed Rulemaking is available at <https://www.fcc.gov/proposed-rulemakings>.

To request materials in accessible formats for people with disabilities (e.g. Braille, large print, electronic files, audio format), send an email to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at (202) 418–0530.

Regulatory Flexibility Act: The Regulatory Flexibility Act of 1980, as amended (RFA), requires that an agency prepare a regulatory flexibility analysis for notice-and-comment rulemaking proceedings, unless the agency certifies that “the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities.” Accordingly, the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) concerning potential rule and policy changes contained in this NPRM. The IRFA is set forth below. The Commission invites the general public, in particular small businesses, to comment on the IRFA. Comments must be filed by the deadlines for comments on the Notice of Proposed Rulemaking indicated on the first page of this document and must have a separate and distinct heading designating them as responses to the IRFA.

Procedural Matters: Comments and reply comments must include a short and concise summary of the substantive arguments raised in the pleading. Comments and reply comments must also comply with § 1.49 and all other

applicable sections of the Commission's rules. We direct all interested parties to include the name of the filing party and the date of the filing on each page of their comments and reply comments. All parties are encouraged to use a table of contents, regardless of the length of their submission. We also strongly encourage parties to track the organization set forth in the NPRM to facilitate our internal review process.

Synopsis

Introduction

Today, we take the next step to accelerate network deployment and modernization by proposing comprehensive reform of the regulatory framework for voice telecommunications rates. The reforms proposed in the NPRM are part of a broader initiative to encourage carriers to transition to all-IP networks. In October 2025, the Commission adopted a Notice of Proposed Rulemaking aimed at revising incumbent local exchange carriers' (LECs) interconnection obligations to better align with modern technologies (90 FR 54266). In a future proceeding, the Commission will also consider proposed reforms to modernize its legacy high-cost support mechanisms. These proceedings, though separate, are underway and are being closely coordinated.

The voice services market has evolved dramatically over the past several decades—shifting from switched access to IP technologies. As a result, consumers have gained access to a wide range of competitive alternatives to traditional analog telephone services, including fixed Voice over internet Protocol (VoIP), mobile, and satellite options. Completing the transition to IP will promote technological modernization and public safety and consumer protection benefits; enhance long-term efficiency, competition, and service quality for consumers; and lead to decreased maintenance expenses for service providers. Although IP-based technologies are widely available, some providers continue to use legacy TDM equipment, potentially due in part to regulatory incentives embedded in the intercarrier compensation (ICC) regime, as well as the costs associated with transitioning to IP technologies. We recognize that shifting from the current regulatory framework for intercarrier compensation, interexchange services (i.e., long-distance services), and end user charges—which is rooted in decades-old assumptions and outdated technology—to a full bill-and-keep framework is complex and will take time to ensure that the changes do not

create regulatory uncertainty or hinder network modernization.

Background

Recognizing the rise of competition, particularly intermodal competition, from wireless, cable, VoIP, and satellite services, we propose reforms to facilitate the transition from circuit-switched networks to packet-based IP networks. The circuit-switched network (also known as the public switched telephone network or PSTN) is the traditional telephone system that sets up a dedicated path for each call. TDM is a method used in this system to send multiple calls over the same line by assigning each one a time slot. We use these terms interchangeably in this item because TDM is the primary method by which circuit-switched networks operate.

The Commission has adopted reforms to the original regulatory framework—which assumed that each end user would be served by one incumbent local exchange carrier (LEC)—over time, including in the 2011 *USF/ICC Transformation Order*, and we propose to complete those efforts in this proceeding. While, as a matter of convenience, we sometimes refer in this document to the proposed elimination of ex ante pricing regulation as the “deregulation” of intercarrier and end-user access charges, we do not propose to fully deregulate these charges. For example, local exchange carriers remain subject to the Commission's regulatory authority under sections 201, 202, and 208 of the Act. These statutory provisions authorize the Commission to determine whether rates, terms, and conditions are just, reasonable, and not unjustly or unreasonably discriminatory in the context of a section 208 complaint proceeding. The Commission retains the authority to initiate proceedings “on its own motion” (*sua sponte*).

Access Charge History. Until the 1970s, most telephone subscribers obtained both local and long-distance services from the Bell System, owned and operated by AT&T. Some telephone subscribers received local service from independent incumbent local telephone companies; however, they could only obtain long-distance service from AT&T Long Lines. Compensation for traffic exchanged between the Bell Operating Companies (BOCs) and the hundreds of unaffiliated independent (i.e., non-Bell) LECs was handled through individual agreements rather than uniform tariffs. The emergence of competitive interexchange carriers (IXCs) in the 1970s introduced competition in long-distance service, but these carriers still

relied on the BOCs and the independent LECs—that held local monopolies—for access to end users. Following the 1982 court-ordered breakup of the Bell System, AT&T’s local exchange operations were divested. All IXCs, including AT&T, then paid the BOCs and independent LECs for providing the necessary access to end users (*i.e.*, exchange access service). In 1983, the Commission replaced the earlier agreement-based system with an intercarrier compensation system built around uniform interstate access charge rules.

Commission Reforms Responding to Competition. In response to growing long-distance competition and to strengthen incentives for regulated carriers to operate efficiently, over the past several decades, the Commission has undertaken a series of reforms to modernize its regulatory framework. In 1991, it adopted mandatory price cap regulation for the largest LECs “to avoid the perverse incentives of [cost-based] rate-of-return regulation,” which continued to apply to most rural and small LECs, and to “act as a transitional regulatory scheme until the advent of actual competition makes price cap regulation unnecessary.” The 1996 Telecommunications Act (the 1996 Act) further advanced a pro-competitive, deregulatory policy framework and required the Commission to forbear from applying any provision of the Communications Act of 1934, as amended (the Act) when competitive conditions are met. Acting on this authority, in 1996, the Commission promptly eliminated tariffing obligations for nondominant IXCs providing interstate, domestic, interexchange telecommunications services. The Commission has consistently recognized that tariffing obligations were originally imposed to protect consumers from unjust, unreasonable, and discriminatory rates in a concentrated market, but that end-user tariffs have become unnecessary in a marketplace where the provider faces significant competitive pressure for subscribers.

The Commission undertook major intercarrier compensation reforms following the 1996 Act to bring the American public benefits of competition and choice by rationalizing the access rate structure. In these proceedings, the Commission reduced certain interstate access charges for price cap and rate-of-return carriers, respectively, and permitted local carriers to offset the interstate access rate reductions through an increase in end-user charges and additional subsidies from the Universal Service Fund (USF). Although the high-

cost program increased in size as a result of the creation of these programs, consumers also typically saw reductions in their long-distance phone bills during this time period.

Adoption of Bill-and-Keep. In the 2011 *USF/ICC Transformation Order*, the Commission significantly modernized the intercarrier compensation system to ensure affordable voice and broadband service “as consumers increasingly shift from traditional telephone service to substitutes including VoIP, wireless, texting, and email.” By transitioning terminating switched access charges to bill-and-keep, the Commission created “a more incentive-based, market-driven approach [to] reduce arbitrage and competitive distortions by phasing down byzantine per-minute and geography-based charges . . . provid[ing] more certainty and predictability regarding revenues to enable carriers to invest in modern, IP networks.” “Bill-and-keep” refers to an arrangement under which carriers look first to their subscribers to cover the costs of the network, then to explicit universal service support where necessary. As the Commission observed, “Bill-and-keep brings market discipline to intercarrier compensation because it ensures that the customer who chooses a network pays the network for the services the subscriber receives. Specifically, a bill-and-keep methodology requires carriers to recover the cost of their network through end-user charges which are potentially subject to competition. The Commission further advanced this approach in 2020 by moving 8YY originating end-office access charges to bill-and-keep.

Broader Deregulatory Efforts. This year, President Trump issued a series of Executive Orders calling on administrative agencies to alleviate unnecessary regulatory burdens. Consistent with this direction, in March, the Commission’s Office of General Counsel issued a Public Notice seeking public comment on “deregulatory initiatives that would facilitate and encourage American firms’ investment in modernizing their networks, developing infrastructure, and offering innovative and advanced capabilities.” Commenters identified part 61 tariff requirements and part 69 access charge rules as ripe for further deregulation and streamlining. We agree that the Commission should look at these regulatory areas and initiate this proceeding to seek comment on proposals to reform the regulatory framework for the voice services market given the technological and marketplace developments in recent years.

Marketplace Dynamics in Voice Services

The telecommunications industry is undergoing significant transformations, driven by technological advancements and evolving consumer preferences. As the industry transitions from traditional TDM-based networks to IP-based and mobile voice services, regulatory frameworks must adapt to support innovation and competition.

End-User Trends in Voice Communications Services

Technological and competitive advancements have significantly outpaced the existing regulatory framework, including prior deregulatory efforts. Today, incumbent LECs face competition in the voice calling marketplace from diverse sources, including competitive providers offering both facilities-based VoIP and mobile service, satellite broadband providers, and, most recently, over-the-top (OTT) applications for voice calling, such as Ooma, Zoom, Microsoft Teams, Google Meet, and WhatsApp. These OTT applications, layered over broadband connections, offer integrated communication features, including voice, video, and text messaging, at little to no additional cost to the consumer, and as a result, competitive alternatives have been widely adopted by consumers.

In 1996, incumbent LECs controlled over 99% of the local voice market due to their “virtually ubiquitous” networks and the resulting low incremental costs of serving each additional customer. By the end of 2023, the number of mobile telephone subscriptions in the U.S. exceeded the total population, and more than 75% of adults lived in households that relied exclusively on mobile voice service. Even among fixed voice connections, their share had declined to just 25% by June 2024, with the majority of remaining subscriptions held by non-incumbent LECs offering interconnected VoIP services.

Our analysis of the voice services marketplace confirms that competitive alternatives to incumbent LEC voice calling services abound. To make an initial determination of the available competitive alternatives to incumbent LEC voice service, we examine data from the Broadband Data Collection (BDC), which shed light on the incumbent LECs and competitors offering fixed and mobile voice service based on reported voice service subscriptions across the United States. As of December 31, 2024, the BDC data indicate that only 0.8% of census tracts do not have a competing non-incumbent

LEC with at least one facilities-based residential fixed voice subscriber in the tract. If a non-incumbent LEC provider has reported at least one subscription in a census tract (switched access, interconnected VoIP, over-the-top, etc.), that tract is considered served by the non-incumbent LEC. We find it more informative, however, to examine broadband coverage and the number of competing broadband providers available at residential locations, since all broadband providers either also offer voice services as part of a bundled service package or support over-the-top voice services. First, BDC data, as of December 31, 2024, indicate that 87.7% of households had two or more providers offering 10/1 Mbps, 85.3% of households had two or more providers offering 25/3 Mbps, and 74.4% of households had two or more providers offering 100/20 Mbps. We further note that, even where a household only has the choice of the incumbent LEC for fixed broadband service, it will have the ability to take stand-alone broadband internet access service and then subscribe to over-the-top voice services instead of the incumbent LEC's public switched telephone network (PSTN) service as long as the incumbent LEC offers broadband.

Moreover, the vast majority of U.S. households have access to one or more mobile wireless providers offering 4G LTE or 5G-NR service. As of June 30, 2025, 99.4% of residential locations had access to 4G LTE or 5G-NR service. And it is clear that an increasing percentage of U.S. households have dropped fixed voice service in favor of mobile voice service. The National Center for Health Statistics estimated that 78.7% of adults lived in households with at least one mobile voice subscription and no fixed voice subscription as of December 2024. This reflects a nearly 10 percentage point increase over three years when 69% of adults were estimated to live in mobile-only households in December 2021.

Recent advancements in satellite broadband—particularly the widespread deployment and availability of low Earth orbit (LEO) systems—have introduced a new platform capable of supporting voice services. While providers such as Starlink, Amazon's LEO constellation (formerly Kuiper), and Eutelsat OneWeb do not currently offer bundled VoIP services, their broadband speeds are sufficient to support third-party, over-the-top interconnected voice applications that compete with traditional voice services. In the past six years, the number of active satellites in the U.S. has grown from 2,000 to 9,641, an increase of

approximately 382%. About 5,700 of those satellites are LEOs—a number that is projected to rapidly grow within the next two years.

How can we improve this analysis to develop a more granular picture of the competitive alternatives to voice service? How can we account for the fact that the BDC data on switched access voice services are subscription data for voice services and, therefore, understate availability? How can broadband availability data inform our analysis given the intermodal competition for voice services over broadband? What other types of services (e.g., mobile, satellite) should be reasonably included in analyzing competitive alternatives to incumbent LECs' voice services? We do not, however, conflate analysis of the voice services market with that of data services, which presents additional considerations. Nor do we reach any conclusions regarding competitive conditions in the data services market or in markets for bundled voice and data services. Our review here is limited to switched access services. If an incumbent LEC offers voice services to a particular region and has an affiliate offering broadband in the same area, should we count the incumbent LEC's broadband affiliate as a competitive alternative where the two services overlap? Similarly, should we count an incumbent LEC's mobile affiliate as a competitive alternative in the same situation? Would the answers to the last two questions change if both an incumbent LEC's broadband and mobile affiliates offer such services in the same service area as the incumbent LEC?

The growing reliance on alternatives to traditional switched access voice services such as mobile voice service and VoIP appears to indicate that consumers increasingly view voice services as interchangeable, regardless of the underlying technology. For example, the 2024 American Community Survey, conducted by the United States Census Bureau, found that approximately 93.2% of U.S. households had one or more non-dial-up internet subscriptions. We note, however, that any comparison we make here between these technologies is one-directional and is necessarily limited to the interchangeability of voice services. Traditional switched access voice service has a significantly narrower functional scope than broadband, mobile, or satellite services, and lacks the capability to replicate the broader data transmission offerings those services provide. For example, while one may place a mobile wireless call from the same location as a fixed

landline, one cannot place a call on a landline while roaming. Accordingly, from the consumers' perspective, mobile voice service may be considered as a potential substitute for switched access service; however, switched access—offering inferior performance over outdated technology—cannot reasonably be regarded as an effective substitute for mobile voice service.

The prevalence of mobile-only households further underscores this shift. These trends suggest that the voice services marketplace has evolved into a technology-neutral environment, where consumers prioritize functionality and accessibility over the specific platform used. In essence, anyone with a broadband connection—regardless of the technology used to deliver it—can access voice services. Given this evolution, we seek comment on how best to define the scope of voice services for regulatory purposes in today's converged communications landscape. Should we adopt a technology-neutral approach when defining the voice services marketplace for purposes of determining the number of competitive alternatives in a particular area? If so, what criteria should be used to determine whether different types of voice services (e.g., TDM-based, interconnected VoIP, mobile, OTT VoIP) provide the same functionality? To what extent do consumers view mobile, VoIP, and other IP-based voice services as substitutes for TDM-based service? Are there any remaining distinctions between voice service types that are meaningful from a consumer perspective? Should we rely on existing definitions of voice service previously adopted by the Commission, such as those used in the BDC or Communications Marketplace Report?

If the Commission determines that various types of voice services are substitutable, should it rely on BDC data—which provides location-specific availability information—to assess service coverage and competitive alternatives? If not, what alternative data sources should the Commission consider? Commenters are encouraged to submit any data that could assist the Commission in evaluating the current state of the voice services marketplace.

Has the widespread broadband deployment made it easier to enter the voice services market? What challenges do providers typically face when attempting to expand into new geographic areas? Are there regulatory, technical, or economic barriers that make expansion difficult? What specific advantages do incumbent LECs have over new entrants, particularly as end users rapidly move away from switched

access services? To what extent do Commission regulations hinder new entrants from competing effectively with incumbents who benefit from ICC and USF support? Do consumers face significant costs when changing voice service providers? Commenters are encouraged to provide detailed insights into the ease or difficulty of expanding into new service areas.

Regulatory Incentives Affect IP-Network Adoption

The current regulatory framework permits LECs to receive access charge payments for TDM-based switched voice services, but not for entirely IP-based or mobile voice services. Although carriers are allowed to tariff and assess access charges for VoIP-PSTN traffic, they are not allowed to do so for IP-to-IP traffic. Thus, by enabling LECs to recover a portion of their network costs from other carriers, the ICC system could be viewed as insulating TDM network technology from the effects of market forces. We seek comment on whether this disparity reduces LECs' incentives to invest in IP networks and services. Is this an accurate assessment of the dynamics in the voice services marketplace? Does the existing ICC framework discourage some carriers from transitioning to IP-based technologies due to the potential loss of ICC revenues and, in some cases, associated USF support? Would a transition to a bill-and-keep framework and associated deregulation facilitate the industry-wide migration to IP?

In contrast, all-IP voice providers and commercial mobile radio service (CMRS) carriers have generally operated under a bill-and-keep regime and do not receive access charges, except where negotiated through specific agreements, and the Commission has observed that "this framework has proven to be successful for that industry." Indeed, IP-based and mobile voice services have experienced significant growth in recent years. Does this suggest that these services are more efficient than traditional TDM-based offerings? Or is this growth due more to consumer preference for modern technologies? Or is it combination of both factors? To what extent does the ICC regulatory structure distort competition and delay technological transition?

The ICC regime was designed to make universal voice service available in a voice-centric world. However, today's consumers require far more than basic voice service—they rely on high-speed, reliable broadband for work, education, healthcare, and civic engagement. The Commission recently sought comment on how section 251(c)'s interconnection

mandates burden carriers and "stymies IP network investments," and now, we seek comment on the impact of maintaining the ICC regime on carriers' incentives to upgrade their networks to the IP-networks of the next generation. We also seek comment on the ways the legacy rules are aligned or misaligned with current consumer needs.

Carriers have informed the Commission that TDM network components are becoming increasingly "outdated, inefficient, harder to acquire and maintain, and increasingly expensive." Are there safety, security, or service continuity risks associated with reliance on second-hand or obsolete equipment? We note that some legacy and transitional 911 networks continue to rely on TDM-based facilities, such as selective routers and DS1/DS3 circuits, to route and deliver 911 calls to public safety answering points until they can fully upgrade to NG911. Would our proposals change the incentives for incumbent LECs to continue to support these network elements during the NG911 transition? Would 911 Authorities or consumers incur additional costs if incumbent LECs no longer receive ICC in connection with legacy facilities used to provide 911 service? Could these changes lead, directly or indirectly, to interruptions in 911 service, and if so, are protections needed to ensure the continuity of 911 service? Why or why not? What form should any protections take? We seek comment on the incentives and disincentives carriers, and particularly rate-of-return LECs, may face to upgrade their networks to all-IP. What role does ICC and CAF ICC play for incumbent LECs? What incentives do incumbent LECs, especially rate-of-return carriers, have to upgrade infrastructure, improve service quality, or respond to consumer complaints, particularly where they may earn revenues from ICC and CAF ICC? What are the consequences for consumers, especially in rural or high-cost areas, when providers have not yet upgraded networks or improved service? How can the Commission ensure that pricing policies support access to affordable, high-quality communications networks while avoiding unintended consequences such as underinvestment in future-proof networks?

Pricing Reform for an All-IP Future in Voice Services

To accelerate the transition to all-IP networks, we propose to complete the intercarrier compensation reforms initiated by the Commission in 2011 by transitioning the remaining intercarrier charges to a bill-and-keep framework.

To support cost recovery, we also propose to eliminate ex ante pricing regulation and to mandate the nationwide detariffing of Telephone Access Charges and seek comment on phasing out CAF ICC once the transition to bill-and-keep is complete. Additionally, recognizing the longstanding competitiveness of the interstate and international long-distance markets, we propose to eliminate rate regulation, tariffing requirements, and account record exchange obligations for these services. We seek comment on transition issues, costs, and how to ensure continued connectivity.

We recognize that alternative approaches to cost recovery such as intercarrier compensation, end-user charges, and universal service funding can intersect in different ways with the universal service principles of section 254 of the Act. When addressing the cost recovery issues discussed in this Notice of Proposed Rulemaking we invite general comment on how the principles of section 254 should inform the Commission's approach or how those principles might implicate related issues that should be considered in a separate proceeding focused on universal service.

Proposed Intercarrier Compensation Reform

To further the transition to all-IP networks and promote more efficient, modernized networks, the Commission must complete the reform of intercarrier compensation by transitioning the remaining access charges to a bill-and-keep framework. The ICC framework is based on per-minute charges, which "are inconsistent with peering and transport arrangements for IP networks, where traffic is not measured in minutes." At the time the Commission adopted bill-and-keep as the end state for all intercarrier compensation traffic, it sought comment on whether "any final transition of originating access [should] be made to coincide with the final transition for terminating access." The Commission has already transitioned terminating end office access charges to bill-and-keep for price cap and rate-of-return carriers. Other terminating access charges, such as terminating tandem switching and common transport for rate-of-return carriers, and originating access charges for all carriers, other than for 8YY calling, remain subject to the intercarrier compensation regime. We now seek comment on how to complete the transition to bill-and-keep for the remaining ICC charges in a thoughtful

way, both originating and terminating, for all carriers.

Remaining Access Charges That Are Not at Bill-and-Keep

The Commission's adoption of bill-and-keep as the end state of its legacy intercarrier compensation framework shifted the ways carriers may recover their network costs, marking a departure from a complex system of intercarrier charges, end-user charges, and universal service support mechanisms to a more direct framework where carriers are to recover their network costs directly from their customers. The Commission found these changes were necessary as "consumers increasingly shift[ed] from traditional telephone service to substitutes." While the Commission opted for a multi-year transition plan for the charges then moved to bill-and-keep, it did not specify or begin a transition of all of the existing ICC charges at that time. We now return to complete the task and seek comment on how to best implement bill-and-keep to support carriers as they transition to all-IP calling. As we explain in greater detail below, the access charges still in use include: (1) non-8YY originating switched access charges, such as end office switching, tandem switching and common transport, and dedicated transport rates; (2) some terminating switched access charges, including certain tandem switching and common transport and dedicated transport rates; and (3) originating 8YY access charges, including joint tandem switched transport and database query rates.

The bill-and-keep framework recognizes that both the calling and called parties benefit from a call, and therefore that both should bear their own costs to complete the call. Under bill-and-keep principles, because customers bear the costs of their carrier of choice, customers receive clearer pricing signals, and consequently, carriers are incentivized to operate more efficiently, to invest in their networks, and engage "in substantial innovation to attract and retain customers." In turn, consumers then benefit from lower "effective price[s] of calling, through reduced charges and/or improved service quality." In further support of the decision to move most terminating access charges to bill-and-keep, the Commission in 2011 also concluded that the incremental cost of call termination is "very nearly zero," rendering any potential benefit from rate-setting "more than offset by the considerable costs of doing so," and that even if bill-and-keep does not allow for overall cost recovery, "it is more

efficient to ensure cost recovery via direct subsidies."

We now seek comment on whether these conclusions support the movement of all remaining access charges to bill-and-keep for all carriers. Will carriers realize benefits through regulatory simplicity upon completing the transition to bill-and-keep? We believe the move to bill-and-keep would also ease the administrative burdens that carriers face to ensure their compliance with regulatory and legal frameworks and seek comment on this belief. Under the bill-and-keep framework we propose today, the reciprocal compensation aspect will be satisfied when each carrier collects the cost for a call from its own customers, which moots the need for separate accounting and administrative tasks for charges and payments to other carriers. We seek comment on this view and any other types of administrative burdens that are eased or otherwise mooted as a result of bill-and-keep. We also seek comment on how the easing of these administrative burdens supports the transition to all-IP networks, and how consumers may also realize these benefits.

Interested parties have long known that bill-and-keep is the "default methodology that will apply to all telecommunications traffic," and we believe further delaying the transition to bill-and-keep may continue to result in market distortion and hinder the transition to all-IP networks. As the Commission has observed, "[i]ntercarrier compensation rates above incremental cost have enabled" arbitrage opportunities, many of which the Commission has tried to remedy in recent years. Put differently, arbitrage opportunities will remain a persistent threat to market efficiency where the compensation framework imposes duties to bear costs that are detached from each party's incremental costs of the services used to complete the call. Given that the ICC framework acts as "an implicit subsidy" for the entire network of a call, we believe that the incentives to engage in these types of market distorting behaviors will continue to exist until the transition to bill-and-keep is completed. We seek comment on whether the Commission's partial implementation of bill-and-keep to date may have created or contributed to marketplace inefficiencies. Have the longevity of the ICC regime and the partial continuation of the original access charge regime for non-IP voice calls resulted in carriers reinvesting in existing equipment, as opposed to investing in the development of IP networks? Will such dynamics be

effectively muted by the completion of the move to bill-and-keep? We seek comment on the extent to which carriers that are transitioning to IP networks or that have been delayed in deploying IP networks are experiencing increased costs from the legacy ICC framework, such as costs incurred from retaining tandem switches. Additionally, we believe that completing the gradual, multi-year transition of remaining access charges to bill-and-keep will permit incumbent LECs to adapt to lower rates in a manner that will provide them time and funding to evolve their networks and, as necessary, business models, and we seek comment on that proposed transition below to prevent revenue shocks. How will a multi-year transition period minimize any such effects? In 2011, the Commission stated that bill-and-keep "will ultimately eliminate the competitive distortions and consumer inequities" that stem from competing carriers employing different technologies used to complete a call which "are subject to different regulatory classifications and requirements." Has that prediction proven to be true? Why or why not? Do the charges we propose moving to bill-and-keep today present any different considerations or potential market effects than those taken to bill-and-keep previously? We ask commenters to be as thorough as possible in any explanations.

While we discuss various access charges below, we seek to obtain the clearest possible picture of the current access charge landscape. To that end, we seek broad comment on what tariffed switched access charges are being charged today and the revenues associated with those charges. This includes any intercarrier compensation charges still collected by competitive LECs. Commenters should be as specific as possible in identifying and describing these access charges, including by reference to the Commission's rules, and in providing revenue figures.

Originating Switched Access Charges. Originating switched access refers to the set of services provided by a LEC to transmit long-distance calls over its local network using end office and tandem switches to route these calls from a calling party to an IXC's point of presence (POP). In the *USF/ICC Transformation Order*, the Commission only initiated the transition to bill-and-keep for certain terminating access charges, due largely to the Commission's view that reforming originating access charges was less pressing at the time. In light of those observations and the Commission's

stated goal of implementing bill-and-keep as the default framework for all-IP networks, the Commission capped price cap incumbent LECs' intrastate and interstate originating and terminating switched access rates, and rate-of-return incumbent LECs' interstate originating and terminating and intrastate terminating access charges. Rate-of-return incumbent LECs' intrastate originating access charges were not capped. However, outside of capping the aforementioned originating access charges, the Commission took no further action on originating access charges. Since then, in the *8YY Access Charge Reform Order*, the Commission curbed arbitrage abuse by bringing 8YY originating end office switching rates to bill-and-keep, creating a new 8YY joint tandem switched transport rate element and capping the rate for this element, and capping the 8YY database query rate, for both intrastate and interstate traffic, but has otherwise left the ICC regime of originating switched access charges undisturbed.

Building on the *USF/ICC Transformation Further Notice*, we seek comment on capping all intrastate originating access rates that have not yet been capped and transitioning all remaining intrastate and interstate originating access charges to bill-and-keep, consistent with the Commission's stated goals in the *USF/ICC Transformation Order*. This includes but is not limited to any end office charges, dedicated transport charges, tandem switching charges, or other separately identifiable originating access rate elements. We believe these steps, which replicate those taken to move most terminating access charges to bill-and-keep, are necessary to avoid cost-shifting during the transition, and seek comment on that view. We also seek comment on how carriers avoided or resolved any issues stemming from the ongoing operation of originating access charges, and how those solutions may aid or assist the Commission's implementation of bill-and-keep for the same charges.

The Commission's current ICC framework applies different rules and restrictions to price cap carriers and rate-of-return carriers. In particular, this distinction between carriers reflects underlying differences in how each is compensated for the provision of switched access services under our rules, owing in part to rate-of-return carriers' greater reliance on access revenues to support their networks. Given that greater efficiency can be achieved by a transition to bill-and-keep as the end-state for all switched access traffic, are there any specific concerns or

considerations, either by carrier regulatory status or size, that the Commission should account for when transitioning originating access charges to bill-and-keep? If so, what are they, and how should they be handled? We believe a universal approach to moving all originating access charges to bill-and-keep is more efficient and predictable, and we seek comment on whether that perspective is supported by the experiences of both network operators and consumers under the previous transition.

We also seek comment on whether all originating access charges should be moved to bill-and-keep in the same manner or on the same schedule. How much revenue is still associated with originating access charges? What impacts might carriers experience during or after the transition of all originating access charges to bill-and-keep? Please explain as completely and specifically as possible how moving originating access charges to bill-and-keep may disparately impact carriers, including any details on service availability and performance. Are there obstacles that prevented carriers from preparing for these changes since they were first proposed in 2011? In particular, we seek comment on how these actions may affect intermediate access providers, such as tandem providers or centralized equal access providers, that arguably stand in distinctive postures in the call flow and may not have end users of their own. Under a bill-and-keep framework, we anticipate that the originating LEC would be responsible for arranging transport from its tandem to the network edge, typically by contracting with intermediate carriers. Similarly, the terminating LEC would need to arrange transport from the network edge to its tandem, which may also involve contracting with intermediate carriers. Under bill-and-keep, an independent third party tandem would not be prohibited from charging contractually negotiated prices to its LEC-customers in exchange for service. To recover these costs, LECs would likely need to set end-user rates at levels sufficient to allow them to compensate intermediate carriers for their services in turn. Is this an accurate assumption of how the market will operate under a bill-and-keep framework? Are there any actions the Commission may need to take to preserve competition in markets that depend on such carriers as all remaining access charges move to bill-and-keep, and if so, what are they, and why?

In the *USF/ICC Transformation Further Notice*, the Commission noted that commenters suggested that it

should not prioritize originating access charges because for many "originating access is simply 'an imputation, not a real payment,'" but also recognized other commenters' claims that these charges "remain[] problematic for independent long distance carriers and competitive LECs." We seek comment on these perspectives. Since 2011, have these views changed? If so, what lessons can the Commission apply to the effort to move originating access charges to bill-and-keep? Does the diminishment of the standalone long-distance market discussed elsewhere in this Notice of Proposed Rulemaking affect commenters' positions?

Terminating Switched Access Charges. In contrast, the Commission moved certain "terminating end office switching and certain transport rate elements" to bill-and-keep in the *USF/ICC Transformation Order*. Terminating switched access refers to the set of services provided by a LEC to transmit long-distance calls over its network using end office switches to route these calls from an IXC's POP to a called party. Importantly, in 2011, the Commission distinguished the terminating access charges for price cap carriers and competitive LECs that benchmark their access rates to price cap carriers from those of rate-of-return carriers and competitive LECs that benchmark their access rates to rate-of-return carriers. Specifically, all carriers' terminating end office access charges were brought to bill-and-keep. For terminating tandem switching and common transport access services provided by price cap carriers, rates were taken to bill-and-keep where the carrier owns the tandem and the terminating end office switch; otherwise, price cap carriers' rates for these services are capped. Thus, for price cap carriers where the terminating carrier does *not* own the tandem serving switch, transport and termination within the tandem serving area has not yet been transitioned to bill-and-keep. In contrast, terminating tandem switching and common transport access services provided by rate-of-return carriers were capped under both of these scenarios. As for dedicated transport, the Commission capped the rates for these services in the *USF/ICC Transformation Order*, with no transition plan announced.

In service of the goal of encouraging all providers to move to modern, all-IP networks, we now seek comment on completing the move to bill-and-keep for all remaining terminating access charges consistent with the transition of other access charges. We prefer to transition all remaining terminating

switched access charges to bill-and-keep in lockstep but given that the Commission previously only moved certain terminating access charges to bill-and-keep, we seek comment on whether the Commission alternatively should treat any remaining terminating access charges going forward differently and, if so, why. How much revenue is still associated with terminating access charges? Will moving the remaining terminating access charges to bill-and-keep in lockstep with originating access charges benefit providers and consumers, or would an alternative approach be less administratively burdensome? If so, why?

Switched Access Tandem Switching and Tandem Switched Transport Access Charges. We seek to refresh the record on moving all remaining tandem switching and tandem switched transport access charges to bill-and-keep. Tandem switching refers to the use of a tandem switch to route long-distance calls between an end office switch and a wire center serving an IXC's POP. Tandem switched transport refers to the common transport of individual long-distance calls of multiple IXCs using shared circuits between a tandem switch and an end office switch and dedicated transport between a tandem switch and a serving wire center. As noted above, the Commission has transitioned these charges to bill-and-keep only in specific circumstances, and the remaining tandem switching and tandem switched transport access charges, like other remaining access charges, continue to be capped. We seek comment on whether the transition of other terminating access charges to bill-and-keep has affected these two types of access charges. How much revenue is still associated with switched access tandem switching and tandem switched transport?

In the *USF/ICC Transformation Order*, the Commission noted concerns from carriers that the treatment of transport and tandem services under the adopted transition plan would create incentives for cost shifting and that rate caps would create disincentives for interconnection or exacerbate arbitrage in the market for transport services. Have any carriers experienced cost shifting as some carriers predicted? Separately, but similarly, have any carriers encountered arbitrage or other kinds of exploitative behavior related to non-transitioned tandem switching and tandem switched transport access charges? We seek comment on any alternate approaches that would resolve such concerns, including with respect to transport access charges. Should these

charges be transitioned to bill-and-keep concurrently with the other access charges in this item? If not, what is an appropriate transition timeframe for transport access charges, and why?

Switched Access Dedicated Transport. We seek comment on the transition to bill-and-keep of switched access dedicated transport services. Dedicated transport access service refers to the provision of service that moves traffic over separately committed transport facilities between the serving wire center and: (1) the tandem switching office (e.g., as part of a tandem-switched transport service); (2) an end office (i.e., Direct-Trunked Transport); or (3) an IXC's point of presence (i.e., Entrance Facility). To date, the Commission has only capped the rates for these charges. We seek comment on whether and, if so, how dedicated transport should be moved to bill-and-keep. How much revenue is still associated with switched access dedicated transport? Is there a need to treat switched access dedicated transport services differently from other switched access services (e.g., end office switching, tandem switching and common transport between an end office switch and a tandem switch)? Under our existing rules, IXCs decide whether to buy direct-trunked transport or tandem switched transport and pay access charges for whichever of these services they choose. After the proposed transition of all access charges to bill-and-keep is complete, including dedicated transport, should IXCs continue to be permitted to specify how their traffic is transported? Are there any other considerations that the Commission should weigh when deciding whether and how to move dedicated transport access charges to bill-and-keep? If so, what are they and how should they affect the Commission's decision-making? In all-IP networks, does the Commission need to regulate dedicated transport at all?

Transit Service. Transit service routes non-access traffic of two carriers that are not directly interconnected with each other through an intermediary carrier's network. In essence, "transit is the functional equivalent of tandem switching and transport" whereas "transit refers to non-access traffic" while "tandem switching and transport apply to access traffic." The Commission did not exercise its authority over transit under section 251(b)(5) in the *USF/ICC Transformation Order*, despite taking a unified approach to moving all traffic to bill-and-keep. Indeed, on the record before it, the Commission recognized that "a competitive market for transit

services exists." We now seek to refresh the record on how the Commission should view transit service following the move to bill-and-keep. Commenters should identify "the need for regulatory involvement and the appropriate end state for transit service." How much revenue is still associated with transit service? Have there been marketplace changes in the way transit services are offered as other regulated transport access services moved to bill-and-keep? We seek comment on whether those developments, if any, might guide the Commission in taking action on transit service charges as equivalent services move to bill-and-keep. As a functionally equivalent service, did carriers experience rate increases for transit services or other adverse consequences when some transport access service rates were capped and moved to bill-and-keep? We recognize that functional equivalency is not always a direct comparison for substitute services, however we seek comment on whether transit services served as a substitute for tandem switching and transport during the Commission's transition of transport access services to bill-and-keep. In the time since the *USF/ICC Transformation Order* was adopted, has the market for transit services remained competitive?

We also acknowledge that transit services may become critical when IP interconnection is the default. As a result of the flexibility that transit services offer and the availability of technological alternatives to deliver transit, transit for IP services and transit to the network edge in the bill-and-keep end state for ICC may replace tariffed transport access services as carriers ultimately switch to IP networks for voice calling. We think this may be one possible option for carriers that wish to provide voice calling using TDM after the move to all-IP voice calling as the default. We seek comment on the likelihood of this shift, and on how carriers that utilize IP networks for voice calling may use or rely upon transit services to complete IP-based voice calling. We also seek comment on the end state of transit services under a nationwide bill-and-keep framework for ICC, given that transit services are not currently rate-regulated. We note that in the *USF/ICC Transformation Order* the Commission does not distinguish between transit services where a CMRS carrier indirectly interconnects with a wireline carrier or where carriers indirectly interconnect via IP technologies, from transit services used to indirectly interconnect wireline carriers, and we seek comment on whether the Commission should

recognize such differences going forward, and if so how. We seek comment on whether there is any need for additional Commission action concerning transit service at this time. For example, are there any benefits from a uniform regulatory framework for traffic that the Commission should be aware of? Should the Commission formally recognize transit services under the authority granted by section 251 for clarity and consistency within our rules? In an all-IP world, is there any need for the Commission to regulate transit service, of any type?

Remaining 8YY Access Charges. We propose to transition the remaining 8YY charges—specifically, the originating joint tandem switching and common transport charge of \$0.001 per minute to the bill-and-keep framework together with the other originating access charges. We seek comment on this proposal. How much revenue is still associated with the remaining 8YY access charges? Since toll-free calling requires an 8YY provider to compensate other carriers for transmitting traffic and associated charges, we also seek comment on how moving the tandem switched transport access service charge to bill-and-keep would impact the toll-free nature of 8YY calling. We also seek comment on the role these services may play in the distance insensitive, all-IP calling world.

Remaining Switched Access Charges. The goal of this proceeding is to move all remaining intrastate and interstate switched access charges to bill-and-keep. That includes all charges for the rate elements identified in our part 69 rules or the functionally equivalent rate elements. Under our existing rules, the intrastate terminating access rate structure for both price cap and rate-of-return incumbent LECs is required to be the same as the interstate terminating access rate structure specified under our part 69 rules. Our existing rules do not require the intrastate and interstate originating access rate structures to be the same. As such, we seek comment on whether there are any additional charges—beyond those discussed herein or specified in part 69—that should also be moved to bill-and-keep.

Call Routing Charges Bearing Special Consideration. As we move all other access charges to bill-and-keep, we are especially cognizant of those access charges that require special consideration due to the role each plays in traditional TDM voice calling, call routing, and identification. Specifically, we seek comment on whether the Commission should move the charges for the Signaling System 7 (SS7) call signaling service and 8YY database

query to bill-and-keep. Both of these access services provide key information to carriers in the TDM call path, assisting in identifying calling parties as well as determining the pathway along which a call can be completed. Given the specific nature of these services, we seek comment on how to move the access charges for these parts of the TDM call routing system to bill-and-keep, if the Commission decides to do so. We seek comment on and encourage proposals that address the call routing and calling party identification aspects of these two services and how they are used to identify the correct call path. How much revenue is still associated with these two services? Will call signaling service remain relevant or necessary once we move to all-IP networks? Should the Commission delay taking action to move either the 8YY database query charge or the signaling charges to bill-and-keep until a more complete record on post-transition all-IP call routing develops? We seek comment on whether these charges help resolve problems with call routing and calling party identification that are not cured by the move to IP networks, absent other solutions. Given that IP networks are more efficient than TDM networks, will IP-based solutions more effectively or efficiently handle tasks like calling party identification or toll-free calling look ups, or otherwise render these services obsolete? Are alternative call signaling and call identification solutions already available for IP calling? We seek comment on how to transition these access charges to bill-and-keep.

With respect to the 8YY database query charge, we also ask whether it would be more appropriate to recover the costs of administering the database through a mechanism similar to that used for the North American Numbering Plan, such as contributions based on FCC Form 499-A filings. We seek comment on whether a comparable database will be necessary to handle 8YY traffic in an all-IP environment. If so, what modifications to the Commission's rules would be needed to ensure that the 8YY database remains fully functional and effective in a post-TDM landscape?

VoIP-PSTN Traffic. In the *USF/ICC Transformation Order*, the Commission adopted transitional rules specifying the default intercarrier charges for VoIP-PSTN traffic. Consistent with its other intercarrier compensation reforms, the Commission specified that VoIP-PSTN traffic “ultimately will be subject to a bill-and-keep framework.” To that end, the Commission brought all VoIP-PSTN traffic within the section 251(b)(5)

framework and adopted “a prospective intercarrier compensation framework for VoIP traffic.” Under this framework, the default intercarrier compensation rates for intrastate and interstate toll VoIP services are equal to interstate access rates applicable to functionally equivalent PSTN services and the default intercarrier compensation rates for other VoIP-PSTN traffic are the otherwise applicable reciprocal compensation rates. We seek comment on the charges currently assessed for VoIP-PSTN traffic, including a description of the rate elements for which these rates are being charged. We also seek comment on what carriers, if any, are tariffing these charges and the revenues associated with these charges. To the extent there are currently-assessed intercarrier compensation charges for VoIP-PSTN traffic, we propose to bring those charges to bill-and-keep, consistent with the declaration the Commission made in the *USF/ICC Transformation Order* and the reforms proposed in this Notice of Proposed Rulemaking. We seek comment on this proposal.

The Role of States After the Transition to Bill-and-Keep. We seek comment on the states' perspective on and experience with the transition of some access charges to bill-and-keep after the *USF/ICC Transformation Order*. We also seek comment on the roles states should have following the transition of all access charges to bill-and-keep. Will the implementation of bill-and-keep nationwide affect state regulations, and if so, how? Will the move to bill-and-keep have varying impacts across different states? If state regulations over intrastate access charges are not preempted, and intrastate charges are left as they currently stand by the completion of our move to bill-and-keep, will incentives for carriers to use legacy technologies remain? What role could or should state regulators have in resolving disputes that might arise from the transition to bill-and-keep?

Proposed Transition of Remaining Access Charges to Bill-and-Keep

Capping Intrastate Access Charges. As the first step in the transition of the remaining intercarrier charges, we propose to immediately cap those access charges that remain uncapped, namely the intrastate originating switched access charges for rate-of-return carriers and competitive LECs that benchmark to rate-of-return carriers, effective 30 days after the final rules adopted in a forthcoming order are published in the **Federal Register**. Freezing these rates would ensure that rates do not increase

and would help prevent carriers from shifting costs to other rate elements during the transition period. We seek comment on this proposal. Our proposal is consistent with the approach taken in the *USF/ICC Transformation Order*. We tentatively conclude that capping these charges will provide certainty and stability during the transition process and minimize disruption for consumers and service providers and seek comment on this conclusion. How would this affect carriers' present business plans? Does it prevent possible arbitrage or gaming of rates? Alternatively, should the Commission make any cap on remaining access charges effective a certain time period after an order's adoption? If so, how long after adoption of an order implementing the transition to bill-and-keep, as proposed in this Notice of Proposed Rulemaking, should such a cap become effective? What are the potential benefits and drawbacks of this approach?

In the *USF/ICC Transformation Order*, the Commission recognized that intrastate access rate disparities "created incentives for arbitrage and pervasive competitive distortions within the industry." To address this concern the Commission, after initially capping certain interstate and intrastate switched access rate elements, reduced the intrastate rates to parity with interstate rates. Because there is no evidence of similar intrastate rate disparities today, we decline to propose a transitional step after capping rates that would require carriers to reduce intrastate rates to interstate rate parity. We seek comment on this approach.

Transition Period for Inter-carrier Access Charges. To mitigate the potential operational disruptions an abrupt regulatory shift may cause, we propose a two-year transition period for the remaining inter-carrier access charges, including both intrastate and interstate access charges which had previously been capped in the *USF/ICC Transformation Order*, as well as transit rates and rate-of-return incumbent LECs' originating intrastate switched access rates, which were not capped in 2011. In the *8YY Access Charge Reform Order*, the Commission created a new 8YY originating joint tandem switched transport rate and capped the rate for this rate element, and lowered and capped the 8YY toll free data base query rate. Under our proposal, these rates also would be transitioned to bill-and-keep over a two-year transition period. This approach is consistent with the Commission's contemplated two-year transition to bill-and-keep for originating access rates in the *USF/ICC*

Transformation Further Notice and with concerns in the record that "establishing separate transitions for different inter-carrier charges invites opportunities for arbitrage." To achieve the goal of moving all remaining access charges by price cap and rate-of-return carriers to bill-and-keep, we propose a 24-month transition period as follows: a 33% reduction in each remaining access charge as of the first annual interstate access tariff filing following the effective date of an order in this proceeding; another 33% reduction by the following annual tariff filing (that would mean a total 66% reduction at that time from the initial rates); and a final 34% reduction as of the annual tariff filing following that one, thereby completing the transition to bill-and-keep, bringing all remaining access charges to zero. To further clarify how the two-year period operates, the first reduction occurs at month 0 of the transition, the second reduction occurs at month 12, and the final reduction occurs at month 24. We seek comment on this proposed transition schedule.

We seek comment on whether the proposed timeframe effectively and expeditiously facilitates the transition from existing inter-carrier compensation charges to a bill-and-keep framework, while also facilitating carriers' migration from TDM-based switched access services to all-IP networks. Does the proposed transition period provide sufficient time for carriers to adapt to the evolving regulatory and technological landscape? If not, what alternative timeframe would strike the right balance between minimizing disruption and advancing the transition? Will the transition otherwise affect existing commercial contracts or interconnection arrangements between parties? We do not anticipate that the proposed reforms will result in the abrogation of existing contracts, and we seek comment on this tentative conclusion. Providers are encouraged to identify any issues related to how the transition may interact with existing commercial contracts, including the sufficiency of contractual change of law provisions or similar terms and conditions to address issues here.

The Commission has noted that all originating access charges "should be eliminated at the conclusion of the ultimate transition to the new inter-carrier compensation regime." The record suggests that establishing separate transitions for different charges could lead to arbitrage opportunities. Accordingly, we propose that the two-year transition period apply uniformly to all remaining originating and terminating access charges for both

interstate and intrastate traffic, all of which would transition to a bill-and-keep framework on the same schedule. We seek comment on this proposal. Alternatively, should we instead consider a transition schedule that differentiates among various access charges? If so, what alternative schedule should the Commission consider and why would that be more appropriate? Should, for example, the Commission distinguish the 8YY database query charge or the signaling charge for a different transition period than we apply to other originating access charges? If so, why, and what periods should apply for which charges? Similarly, are there reasons to distinguish transit services during the transition of the remaining access charges to bill-and-keep? Likewise, should dedicated transport be transitioned in the same manner as the common transport access charges? Should the Commission engage in a more specific transition plan for these services, or is the same two-year transition plan as with tandem switched transport and tandem switching appropriate? Why or why not? If there remain reasons to distinguish between any types of access charges when reaching bill-and-keep, we request that commenters identify those reasons and charges with specificity, and support why they should be distinguished.

In the *USF/ICC Transformation Order*, the Commission adopted separate transition schedules for rate-of-return and price cap carriers. Here, we propose that the transition period apply uniformly to all carriers that currently tariff access charges. Establishing different timeframes for different categories of carriers could lead to unintended consequences, such as inefficiencies or opportunities for arbitrage. We seek comment on whether rate-of-return carriers should be granted additional time to transition these rates. If so, what justification supports a longer transition period, and how much additional time would be appropriate? We also invite comment on whether a two-year transition would be too rapid for certain carriers. If so, what safeguards could the Commission implement to mitigate such concerns?

We seek comment on lessons learned during previous transitions to bill-and-keep. For those terminating access charges that already have moved to bill-and-keep, we seek comment on carriers' experiences during the transition. Specifically, did any carrier experience new or novel difficulties in implementing bill-and-keep? If so, please describe the difficulties and any actions taken to resolve them. We also

seek comment on whether the Commission had accurately gauged the marketplace effects from the transition to bill-and-keep for these charges.

Competitive LEC Benchmarking. For intercarrier compensation purposes, when access charges move to bill-and-keep for price cap or rate-of-return carriers, the same rate applies to those charges for benchmarking competitive LECs. We seek comment on how the transition of the remaining switched access charges to bill-and-keep will affect competitive LECs that benchmark to incumbent LEC rates. Are there any circumstances that would signal adverse effects in those markets? After bill-and-keep has been successfully implemented for all access charges, is the competitive LEC benchmarking rule still necessary, since competitive LECs will be prohibited from charging any access charges? We seek comment on these and any other perspectives on how moving the remaining access charges to bill-and-keep will impact benchmarking competitive LECs.

Network Edge

The network edge refers to the demarcation point in the telecommunications network for establishing financial responsibility between sending and terminating carriers for transmitting calls in a bill-and-keep framework. The network edge is distinct from a point of interconnection (POI) because a call may pass through multiple POIs before reaching the network edge—the point at which the originating carrier's financial responsibility for the call ends and the terminating carrier's responsibility begins. Under the intercarrier compensation regime, there was no need to define the network edge because access charges determined which carrier paid for each segment of traffic delivery. As the Commission completes the transition to bill-and-keep and accelerates the transition to all-IP communications networks, the definition of the network edge becomes important for determining financial responsibility for transport costs between carriers' networks.

When the Commission began the transition to bill-and-keep in the *USF/ICC Transformation Order*, it defined the network edge for non-access traffic exchanged between rural rate-of-return LECs and CMRS providers. The Commission also explained that it did not intend to “affect the ability of states to define the network edge for intercarrier compensation under bill-and-keep as a general matter” and sought comment on transitioning the remaining access charges to bill-and-

keep and on related network edge issues. In 2017, the Commission sought to refresh the record on intercarrier compensation reform, including carrier obligations to deliver traffic under bill-and-keep. To date, the record reflects a lack of consensus on how to define the network edge. In addition, evolving market conditions, ongoing technological advancements, and the reforms proposed in this Notice of Proposed Rulemaking underscore the need for a fresh look at network edge issues.

In the *USF/ICC Transformation Further Notice*, the Commission stated that it “believe[d] states should establish the network edge pursuant to Commission guidance,” and sought comment on this approach and other options. Given the amount of time that has elapsed since comments on this issue were filed, we renew our request for input now. As the Commission considers the reforms proposed in this Notice of Proposed Rulemaking—moving to bill-and-keep to encourage the transition to all-IP networks—we seek input on whether carriers and state regulatory commissions believe there is a need to and benefit from defining the network edge today, and on the role that the Commission and states may play in that process.

To promote consistency across states in defining the network edge, would guidance from the Commission be helpful? If so, what form should that guidance take—for example, general principles, best practices, or a default framework? Would a default framework provided by the Commission be the most practicable solution if a state fails to define the network edge or if states develop inconsistent definitions? We seek comment on how the Commission should proceed in a manner that ensures consistency with sections 251 and 252 of the Act. We are interested also in hearing from state commissions about how any action by the Commission might affect past state decisions or open proceedings. To aid the Commission in potentially offering guidance, we seek to learn as much as possible from the experience and knowledge that states have garnered in addressing network edge issues.

At the same time, we also invite input from providers, consumers, and other stakeholders on their experiences and perspectives regarding these questions and issues. We are particularly interested in learning whether the industry is in agreement on principles that would serve as the basis for defining the edge. Because LECs may need to rely on third-party carriers to deliver or receive calls, we seek

comment on whether the current marketplace for transit services is sufficiently robust to ensure that disparities in size between large transit providers and small LECs do not undermine the latter's bargaining power to negotiate fair and reasonable terms and conditions.

Network Edge Issues During Transition to Bill-and-Keep and All-IP Networks. Do commenters anticipate disputes over financial responsibility for transporting voice traffic during the transition unless the network edge is clearly defined? If so, when should such a definition take effect? To facilitate the transition to all-IP networks, should the Commission require each state to designate a single point of interconnection (POI) for TDM and VoIP traffic during the two-year transition and designate that POI as the network edge? States have already been required to designate a single POI as the NG911 Delivery Point. The Commission does not intend to disrupt present commercial agreements in any actions it may take and welcomes any comments to ensure that result. Should carriers be financially responsible for transporting traffic to that POI—including the cost of any necessary TDM-to-IP conversion—even if it lies outside of their traditional service areas? We anticipate that, because it would be costly for a carrier to transport a call from its service area to the POI designated as the network edge within a state, the carrier would instead convert the call to IP format and hand it off to an intermediate carrier. That intermediate carrier would then carry the call to the network edge, where it would be handed off to the terminating carrier or to an intermediate carrier selected by the terminating carrier. Accordingly, each call would have only one network edge and would likely be transported in IP most of the way.

Would carriers be able to contract with intermediate providers to deliver traffic to the POI, and could they leverage existing network capabilities amidst evolving all-IP platforms to reduce costs? We also ask whether a single POI per state aligns with states' responsibilities under sections 251 and 252 and whether states have the resources and time to implement this approach. Alternatively, should the Commission leverage existing regional IP meet points as the default network edge to reduce costs and avoid creating separate state-specific POIs? IP-based calls significantly reduce the cost of transport compared to TDM-based calls. Would this be more efficient and cost-effective during the two-year phase-out of access charges?

We also seek comment on the relationship between defining points of interconnection in the network and defining the network edge. We recognize that the definition of network edge is an important point for both this Notice of Proposed Rulemaking and the IP Interconnection Notice of Proposed Rulemaking, and we seek comment on how we should consider the overlap. How does the definition of the network edge for purposes of ICC impact other aspects of the IP transition?

Network Edge After Transitions to Bill-and-Keep and All-IP Networks Are Completed. Once the industry completes the transition of the intercarrier access charge system to a national bill-and-keep framework, we anticipate that carriers generally will seek to maximize efficiencies by delivering voice traffic in IP format. Most carriers already have the capability to offer VoIP services to their end users. As of December 2023, only 9% of residential connections remained copper-based. It is, therefore, likely that at the end of the transition period voice calls carried in IP format from origination to termination will travel through established internet exchange points and pathways as does all other current internet traffic. The industry has already established standards for transmitting VoIP calls over the internet without compromising call quality. Once all communications are transitioned from the PSTN to all-IP networks, do carriers or state commissions believe there is a need to define the network edge? Should such a definition apply to networks still using TDM facilities after the proposed transition to bill-and-keep is completed if some networks have not completely transitioned to all-IP networks by then? Would this definition continue to be necessary so long as TDM facilities are in use? Should the Commission set a definite sunset date for when the network edge definition would no longer be applied?

In the absence of access charges defining the financial responsibility for transporting voice traffic in all-IP networks, does the network edge still need to be defined to establish financial responsibility, or what steps should be taken, to ensure that financial disputes do not cause service disruptions? At the same time, we seek comment on whether the Commission or the states have the authority to define the network edge when the transition to all-IP networks is completed? Given that IP traffic is jurisdictionally mixed in nature, should the Commission preempt state authority to define the network edge for all-IP traffic? We also seek

comment on whether the Commission alternatively should distinguish voice traffic from other traffic and whether this establishes a need to determine network edges for voice traffic in all-IP networks. If so, we ask commenters to explain why, and describe and illustrate a potential network edge in this scenario.

Is it correct to assume that most providers already maintain either direct peering arrangements or agreements with third-party IP transit providers for transporting existing internet traffic from their end users, and that they can readily in a cost-efficient manner incorporate voice traffic—given that it represents only a small portion of overall data traffic—into those existing arrangements? To the extent that, at the end of the transition to bill-and-keep and all-IP networks, carriers continue to rely on TDM technology, we propose that the costs associated with a carrier's continued TDM use should be borne by the carrier that elects to maintain it and seek comment on this proposal. For example, under this proposal, any costs associated with converting a call to IP format will be borne by the carrier that elects to originate, interconnect, or terminate the call in TDM.

We strongly encourage parties to submit concise, clear-cut call-flow diagrams to help illustrate and explain their comments. Parties should also define their use of the terms “transit,” “meet point,” “interconnection point,” and “peering point,” including distinctions.

Implementation of the Transition to Bill-and-Keep

We seek comment on the role of tariffs during the transition of interstate and intrastate access charges to bill-and-keep. We propose to maintain a role for tariffing access charges to implement the rate step down to bill-and-keep (*i.e.*, zero). After access charges transition to bill-and-keep, we propose to grant incumbent and competitive LECs forbearance under section 10 of the Act from the application of section 203 tariffing requirements to access charges. The Commission will, at that time, no longer permit any tariffs containing access charges. We seek comment on this proposal and any alternative proposals.

Background. The Commission's existing ICC framework has relied on tariffing access charges to ensure that common carriers' “charges, practices, classifications, and regulations” are “just and reasonable” under section 201 of the Act and not subject to “unjust or unreasonable discrimination” under section 202 of the Act. Under section

203(a) of the Act, “common carriers” are required to file with the Commission “schedules,” *i.e.*, tariffs, “showing all charges for itself and its connecting carriers for interstate and foreign wire or radio communications.” A carrier may not “charge, demand, collect, or receive” a different amount for such communications, “refund or remit” a portion of the charges, or “extend to any person any privileges or facilities in such communication, or employ or enforce any classifications, regulation, or practices affecting such charges, except as specified in such [tariff]” pursuant to section 203(c) of the Act. Section 204 of the Act authorizes the Commission to “conduct a hearing concerning the lawfulness” of “any new or revised charge, classification, regulation, or practice” contained in a tariff. Upon a finding of unlawfulness of the tariffed charge, section 205 of the Act authorizes the Commission to “determine and prescribe . . . the just and reasonable charge.” Tariffed rates that are subsequently found to be unlawful are not subject to refund liability for damages incurred while the tariffed rate was in effect.

The Commission's part 61 tariffing rules, among other things, ensure compliance with the Commission's part 69 access charge regime. In the *USF/ICC Transformation Order*, the Commission relied on the continued tariffing of access charges to transition terminating interstate and intrastate access charges to bill-and-keep. During the transition, the Commission permitted LECs to tariff intrastate toll traffic with the states, and interstate toll traffic with the Commission. In lieu of tariffing access charges, however, carriers were free to enter into negotiated agreements. The Commission's July 1 annual access charge tariff filings, among other things, implemented the transition of terminating access charges to bill-and-keep required by §§ 51.700 to 51.715 and 51.901 to 51.919 of the Commission's rules.

Role of Tariffs During Transition to Bill-and-Keep. To provide carriers with financial certainty, we propose to preserve a role for tariffing access charges during the transition of intrastate and interstate access charges to bill-and-keep. During the proposed transition, carriers will tariff interstate and intrastate access charges consistent with the transitional rate step-down described above. We propose that the Commission would continue to accept new interstate tariffs and revisions to existing tariffs and states would be expected to do the same for intrastate tariffs. Alternatively, should we allow carriers to immediately detariff

intrastate and interstate access charges, *i.e.*, bring them down to zero, if they choose to do so? Why or why not? Should we allow carriers to enter into negotiated commercial agreements instead of tariffing access charges? We seek comment on these proposals and any other alternatives.

VoIP–PSTN Traffic. During the transition adopted in the *USF/ICC Transformation Order*, the Commission permitted “LECs to file tariffs that provide that, in the absence of an interconnection agreement, toll VoIP–PSTN traffic will be subject to charges not more than originating and terminating interstate access rates.” During that transition, the Commission permitted LECs to tariff interstate toll VoIP–PSTN traffic in interstate tariffs and intrastate toll VoIP–PSTN traffic in intrastate tariffs. Should the Commission adopt a similar approach to transition the remaining intrastate and interstate access charges to bill-and-keep? Meaning, during the transition, should the Commission permit carriers to tariff interstate originating VoIP–PSTN traffic in interstate tariffs and intrastate originating VoIP–PSTN traffic in intrastate tariffs? What are the costs and benefits of this approach and any alternatives? During the transition, to what extent should the Commission permit carriers to tariff interstate and intrastate terminating VoIP–PSTN traffic? The Commission has held that carriers may not tariff purely IP–IP traffic that does not touch the PSTN. In other words, carriers may not tariff access charges if the LEC or its VoIP provider partner does not provide a physical connection to last mile facilities used to serve an end user over the TDM-based PSTN network. We similarly propose to maintain the prohibition of carriers and their VoIP provider partners from tariffing purely IP-to-IP traffic that does not touch the PSTN and seek comment on this proposal.

Reciprocal Compensation Agreements. In the *USF/ICC Transformation Order*, the Commission asserted legal authority to bring all traffic—terminating and originating access service—within the section 251(b)(5) reciprocal compensation regime in order to advance the migration to all-IP networks. ICC traditionally has been subdivided between access charges (payments to LECs to originate and terminate long-distance traffic) and reciprocal compensation (payments between carriers to transport and terminate local traffic). Section 251(b)(5) of the Act imposes a duty on LECs “to establish reciprocal compensation arrangements

for the transport and termination of telecommunications.” Section 252 of the Act outlines the responsibilities of incumbent LECs to negotiate, arbitrate, and approve interconnection agreements and allows parties to petition state commissions “to participate in the negotiation and to mediate any differences.” How will the transition of access charges to bill-and-keep affect reciprocal compensation agreements? Is the section 251(b)(5) framework appropriate for originating access service? Why or why not? What is the role of state commissions, if any, in resolving disputes between incumbent LECs and competitive LECs over rates for reciprocal compensation? How could the Commission’s section 251(b)(5) framework be improved for originating and terminating access service? Is there any evidence that rates, terms, and conditions contained in reciprocal compensation agreements are unjust and unreasonable? Is there any evidence that LECs are offering similarly situated customers rates, terms, and conditions that are unjustly or unreasonably discriminatory?

Under sections 251 and 252 of the Act, incumbent LECs generally cannot compel other LECs to negotiate over traffic that is not exchanged by tariff. In the *USF/ICC Transformation Order*, the Commission declined to extend the duty of CMRS providers to negotiate interconnection agreements with incumbent LECs to competitive LECs and other interconnecting service providers. The Commission, however, sought comment in the *USF/ICC Transformation Further Notice* on extending the interconnection agreement process adopted in the *T-Mobile Order* to all telecommunications carriers. As part of any detariffing reforms we propose, we seek comment on whether we need to revisit the rights and obligations of carriers to negotiate interconnection agreements.

NECA. Most rate-of-return carriers establish rates for access service by participating in the National Exchange Carrier Association, Inc. (NECA) tariff and tariff pools. During the transition to bill-and-keep, should we allow rate-of-return carriers to continue to make elections regarding participation in the NECA tariffs and pooling process? Why or why not? Because we propose to detariff the remaining interstate access charges once carriers transition to bill-and-keep, we propose to require rate-of-return carriers participating in the NECA tariff pools to remove access charges from the NECA tariff pools once they transition to bill-and-keep. We seek comment on this proposal and the role of the NECA tariff and tariff pools

during and after the transition of access charges to bill-and-keep.

Role of Intrastate Tariffs. Under the framework adopted in the *USF/ICC Transformation Order*, rates for intrastate access traffic continued to be tariffed in state tariffs. We seek comment on the extent to which carriers should continue to tariff remaining intrastate access charges with state commissions pursuant to intrastate tariffs. To what extent do carriers tariff TDM-based intrastate access charges in state tariffs? To what extent do carriers tariff intrastate VoIP–PSTN traffic in state tariffs? Is VoIP–PSTN traffic inherently jurisdictionally mixed in nature and therefore not subject to state regulation? We seek comment on the role of the states and state commissions to ensure compliance with the transition of remaining intrastate access charges to bill-and-keep. Are there concerns that carriers could shift cost recovery for access services from interstate to intrastate tariffed rates? If so, are there any actions the Commission and state commissions could take to prevent a windfall or double-recovery? Are there other arbitrage opportunities that the Commission and state commissions should address in any framework adopted? Is there any evidence that intrastate access charges vary by state? Is there any evidence of arbitrage opportunities with respect to intrastate originating access charges provided by rate-of-return carriers?

Existing Agreements. We seek comment on how existing commercial contractual agreements might be affected by the reforms we propose. The reforms we propose above would require carriers to revise their interstate and intrastate switched access charge tariffs. We do not, however, propose to repeal existing commercial contracts, interconnection agreements, or service guides, or propose to require a “fresh look” at these agreements. Instead, we propose to defer to existing change-in-law provisions with respect to these agreements and seek comment on this approach. To what extent do our proposed reforms trigger contractual change-in-law provisions allowing for the parties to renegotiate certain rates, terms, and conditions? Are there situations in which the proposed reforms could not be addressed through change-in-law provisions? Would the Commission’s waiver process under § 1.3 address any such concerns? If not, would the public interest still be best served by proceeding with the proposed reforms?

Forbearance From Section 203 Tariffing Obligations for Intercarrier Access Charges

In this section, we propose to grant incumbent and competitive LECs forbearance under section 10 of the Act from the application of section 203 tariffing requirements to interstate access charges once all access charges transition to bill-and-keep. If the Commission forbears from section 203 of the Act, sections 204 and 205 of the Act would no longer apply with respect to interstate access charges. We therefore propose to also forbear from sections 204 and 205 of the Act with respect to detariffed interstate access charges once all access charges transition to bill-and-keep. We propose to require LECs to detariff remaining interstate access charges after which the Commission would no longer accept interstate tariffing of these charges. Instead, carriers would enter into negotiated commercial agreements and/or list rates, terms, and conditions in service guides. We seek comment on whether the section 10 criteria for forbearance are met.

Beginning in the 1980s, the Commission pursued permissive and mandatory detariffing policies. Initially courts found that the Commission lacked mandatory detariffing authority; however, that changed with the 1996 Act, which compelled the Commission to forbear from applying statutory requirements where certain criteria are met. Section 10 of the Act requires the Commission to forbear from applying any requirement of the Act and Commission rules if it finds that the rule is unnecessary to ensure just and reasonable rates or to protect consumers and that forbearance serves the public interest, particularly by promoting competition.

The Commission has exercised its forbearance authority to order mandatory detariffing in various contexts. The Commission has expressed concern that “the necessity of filing tariffs hinders competitive responsiveness” and the filed-rate doctrine reduces competition. More recently, commenters have identified part 61 tariffing requirements as ripe for further deregulation and streamlining. For example, commenters argued that tariffs are “cumbersome and slow” and thus “unnecessary” and that “thanks to competition are largely obsolete.”

Are tariffing requirements for access charges under section 203 of the Act still necessary, following the transition to bill-and-keep, to ensure that rates, terms, and conditions of access service remain just and reasonable, and not

unjustly or unreasonably discriminatory? When Congress passed the 1996 Act, incumbent LECs controlled 99.7% of the local telephone service marketplace. Today, incumbent LECs’ switched access lines account for only 3.1% of the voice telephony marketplace. Once the transition to bill-and-keep is complete, will tariffing these services still be necessary to ensure that rates, terms, and conditions of service are just and reasonable and not unjustly or unreasonably discriminatory? Will carriers and their customers be able to receive the same or similar transparent price and service information provided by tariffs through negotiated contractual agreements, service guides, and other agreements? We seek comment on the extent that competition for voice services is sufficient to constrain prices for access services to just and reasonable levels absent tariffing access charges.

Are sections 201, 202, and 208 of the Act, in conjunction with market forces, sufficient to protect consumers from unjust and unreasonable rates, terms, and conditions or unjust and unreasonable discrimination without continued tariffing of access charges? If continued tariffing of access charges is necessary to protect consumers following the transition to bill-and-keep, why? Is there price, cost support, service, or other information, that otherwise would be available through a tariff filing, that carriers should make available to Commission staff and the public for purposes of preparing complaints under section 208 of the Act? For example, section 211 of the Act requires carriers to “file with the Commission copies of all contracts, agreements, or arrangements with other carriers.” And § 43.51 of our rules requires carriers to maintain a copy of contracts between telephone carriers and connecting carriers available to Commission staff and the public upon request. Is this information sufficient to protect consumers? Absent tariffs, to what extent can customers assert their rights under interconnection agreements or reciprocal compensation agreements? If contract negotiations break down, to what extent can customers avail themselves of state mediation and arbitration procedures under sections 251 and 252 of the Act? To what extent can consumers pursue remedies under state consumer protection and contract laws in ways otherwise precluded in a tariffing regime by the filed-rate doctrine?

Is forbearance from tariffing consistent with the public interest? For example, would forbearance from tariffing switched access services

promote competitive market conditions? Does tariffing access charges create disincentives for carriers to transition from TDM to all-IP networks? To what extent does tariffing access charges impose unnecessary regulatory burdens on carriers? Would detariffing access charges reduce compliance costs, increase regulatory flexibility, increase incentives to invest in innovative products and services, or otherwise be in the public interest? Why or why not? Are there ways the Commission could reorient the tariffing regime to incentivize carriers to transition from TDM to all-IP networks? If the Commission detariffed access charges, what effect would this have on prices, service availability, innovation, and competition? To what extent does detariffing access charges increase litigation costs and refund liability for carriers by removing protections under the filed-rate doctrine? To what extent does detariffing access charges increase transaction costs through individually-negotiated contractual agreements? Are there any approaches the Commission could take to minimize these concerns?

Other Considerations. If we detariff access charges, what other rules should we subject to forbearance or further streamlining as a result? Commenters advocate that “a careful review” of parts 32, 36, 64, 65, and 69 of the Commission’s rules is necessary. Parts 32, 36, 64, 65, and 69 contain rules for calculating CAF BLS support attributable to common line and Consumer Broadband-Only Loop (CBOL) services and interstate rates for common line, CBOL, and special access services subject to rate-of-return regulation. Parts 32, 64, and 65 contain rules for calculating high-cost loop support. At the end of the transition to bill-and-keep, to what extent should we also grant rate-of-return carriers forbearance from provisions of the parts 32, 63, 64, 65, and 69 cost assignment rules, and part 36 separations rules? Should we also forbear from § 54.1305 reporting requirements for rate-of-return carriers’ access charges? We seek detailed comment on these and other rules we should eliminate or forbear from and the associated costs and benefits. Commenters note that to the extent that the Commission does not reform its universal service rules for legacy carriers that cross-reference tariffs, “such carriers . . . could continue to impute such charges for universal service purposes without actually filing any tariffs.” To what extent should the Commission allow carriers to impute access charges for purposes of calculating universal

service support not based on tariffs? We seek comment on the extent to which we need to revise our part 54 rules to reflect detariffing access charges, specifically the CAF ICC support rules in § 54.304 and CAF BLS support rules in § 54.901.

Role of Tariffs After Transition to Bill-and-Keep. We seek comment on the continuing role of state and federal tariffs and associated cost support (*i.e.*, tariff review plans) once intrastate and interstate access charges transition to bill-and-keep. We believe that transitioning all access charges to bill-and-keep obviates the need to tariff intrastate and interstate access services and seek comment on this view. Going forward, to what extent should the Commission allow carriers to permissively tariff certain rates, terms, and conditions of interstate telecommunications service? For example, should we permit carriers to continue to tariff terms and conditions of interstate telecommunications services once the transition to bill-and-keep for all access charges is complete? Are there any charges for interstate telecommunications service we should permit common carriers to tariff? Similarly, to what extent should the states allow carriers to tariff certain rates, terms, and conditions of intrastate telecommunications service? Should the Commission preempt state tariffing of remaining access charges and, if so, under what statutory authority? Alternatively, are there any approaches the Commission could take to encourage states to detariff intrastate access charges? For example, should we adopt a “backstop” if states fail to detariff intrastate access charges within a specific period of time? If so, we seek comment on how much time the states may need to detariff intrastate access charges.

We also seek comment on the continuing role of tariffs and related cost support once carriers complete the transition to end-to-end IP voice communications. The Commission’s tariffing regime applies to common carriers. While carriers may tariff access charges for VoIP–PSTN traffic, they are currently prohibited from tariffing access charges for purely IP–IP traffic. We propose to maintain this prohibition and seek comment on this approach. In light of this, we seek comment on the role, if any, that the Commission’s tariffing regime should play in an all-IP world. Are there reasons to maintain the Commission’s tariffing regime after a transition of voice traffic to all-IP?

End Users Cover the Cost of the Networks They Choose

To support a more market-driven approach to cost recovery and encourage continued investment in modern communications infrastructure, we propose to deregulate and detariff end-user charges, known as Telephone Access Charges, thereby allowing carriers to recover lost ICC revenues directly from their end users. In addition, to further strengthen the incentive for carriers to transition to all-IP networks, we seek comment on phasing out CAF ICC support following the shift to the comprehensive bill-and-keep framework. In particular, we seek comment on how best to ensure a smooth and speedy transition for carriers while appropriately recognizing any challenges.

Deregulating and Detariffing Telephone Access Charges

To facilitate the transition to a bill-and-keep framework and ensure that carriers can recover their costs from end users, we propose to eliminate *ex ante* pricing regulation and tariffing requirements of all end-user charges associated with interstate access service offered by incumbent LECs. Although the term “access charges” typically refers to intercarrier charges, it includes some end-user charges that we collectively reference as Telephone Access Charges (TACs). Our proposals here are part of this new Notice of Proposed Rulemaking seeking comment on issues in the context of completing the transition of all remaining access charges to a bill-and-keep system and the transition of TDM networks to all-IP technologies.

These end-user charges are remnants of legacy telephone regulation when LECs were subject to comprehensive rate oversight designed to protect subscribers from supracompetitive prices. The regulations were intended to protect consumers from the monopoly power of incumbent LECs and ensure that rates were just and reasonable, as required by the Act. However, with the growth of competition in the voice services market, rate regulation of incumbent LECs is no longer necessary to protect consumers—who now have the ability to switch to alternative providers if an incumbent LEC raises rates above competitive levels. To ensure stability in the USF contributions base following any deregulation and detariffing of TACs, we propose options for calculating federal USF contributions and high-cost universal service support.

Overview of TACs and Procedural History

Section 203 of the Act, requires that common carriers file tariffs or “schedules showing all charges for itself and its connecting carriers for interstate and foreign wire or radio communication . . . and showing the classifications, practices, and regulations affecting such charges.” The Commission, through its tariff and *ex ante* pricing rules, regulates various end-user charges for interstate access service provided by incumbent LECs. Commission rules currently consist of five tariffed TACs: the Subscriber Line Charge, Access Recovery Charge (ARC), Presubscribed Interexchange Carrier Charge, Line Port Charge, and Special Access Surcharge.

Subscriber Line Charge. The Commission created the Subscriber Line Charge (SLC) in 1983 to allow incumbent LECs to recover a portion of non-traffic-sensitive loop costs through a flat, per-line fee assessed on end users. To prevent rate shock, particularly in high-cost areas, the Commission capped SLCs and required that remaining common line costs be recovered through a per-minute Carrier Common Line charge on IXCs. In 1996, the Commission reformed interstate access charges to better align rates with cost causation principles and established a federal high-cost universal service support mechanism to replace implicit subsidies. The Commission further reformed interstate access charges in the *CALLS Order* that included increasing the SLC caps for price cap carriers to \$6.50 per month for primary residential and single-line business lines, \$7 for non-primary residential lines, and \$9.20 for multi-line business lines. In the *MAG Order*, the Commission adopted the same caps for residential lines and single and multi-line businesses served by rate-of-return carriers. There is no non-primary residential line SLC rate element for rate-of-return carriers under our rules.

Access Recovery Charge. To mitigate revenue losses for incumbent LECs and support broadband investment resulting from the transition to bill-and-keep adopted in the 2011 *USF/ICC Transformation Order*, the Commission allowed incumbent LECs to recover a portion of their reduced intercarrier compensation revenues (*i.e.*, Eligible Recovery) from end users through an Access Recovery Charge (ARC), and where applicable, through CAF ICC support. For residential and single-line business customers, ARC increases are capped at \$0.50 per month, up to a maximum monthly charge of \$2.50

(price cap carriers) and \$3.00 (rate-of-return carriers). For multi-line businesses, increases are limited to \$1.00 per month, and the maximum monthly charge is capped at \$5.00 (price cap carriers) and \$6.00 (rate-of-return carriers). The combined ARC and SLC for multi-line businesses may not exceed \$12.20 per line per month. In addition, the Commission adopted the Residential Rate Ceiling, which prohibits incumbent LECs from assessing an ARC on residential customers that would cause the carrier's total charges for basic local telephone service to exceed \$30.

Presubscribed Interexchange Carrier Charge. Created in 1997, the Presubscribed Interexchange Carrier Charge (PICC) recovers a portion of the interstate common line costs not recovered by the SLC. This is a monthly per-line access charge that a price cap carrier may bill an IXC for automatically routing a multi-line business customer to that presubscribed IXC when the end-user business customer makes a long distance call via a 1+ telephone number. If the end-user customer does not have a presubscribed IXC, the price cap carrier may collect the PICC directly from the end user. Some price cap incumbent LECs do not assess a PICC presumably because they are able to recover all of their interstate common line costs through the SLC and other rate elements.

Line Port Charge. The Line Port Charge is a monthly end-user charge that recovers costs associated with digital lines, such as integrated services digital network (ISDN) line ports, to the extent those port costs exceed the costs for a line port used for basic, analog service. This charge, which was established for price cap carriers in 1997 and for rate-of-return carriers in 2001, varies because costs are carrier specific.

Special Access Surcharge. Adopted in 1983, the \$25 per month Special Access Surcharge is assessed on trunks to address the problem of a "leaky private branch exchange (PBX)." This problem can arise where large end users that employ multiple PBXs in multiple locations lease private lines to connect their various PBXs and permit long-distance calls to leak from the PBX into the local public network, where they are terminated without incurring access charges. The assessed amount currently constitutes only a *de minimis* portion of revenues for a very small number of carriers. For example, the National Exchange Carrier Association projects that less than a dozen of its members will collect a total of \$2,100 from charging the Special Access Surcharge in tariff year 2025–2026.

Procedural History. In 2020, the Commission sought comment on its proposal to eliminate ex ante pricing regulation of TACs and to require both incumbent and competitive LECs to detariff these charges, and in June 2025, the Commission issued a Public Notice to refresh the record on that proposal. We incorporate the existing record by reference, but emphasize that the proposal set forth in this Notice of Proposed Rulemaking is part of a broader, comprehensive reform of the switched access cost recovery system. Accordingly, we encourage commenters to evaluate this proposal as part of the Commission's effort to comprehensively reform its intercarrier compensation regime as the nation moves to all-IP communications networks.

Deregulating Telephone Access Charges

Since the Commission adopted these end-user charges and caps in 1980, and in response to both the enactment of the 1996 Act and subsequent technological changes, the voice service marketplace has fundamentally changed. Today, consumers and businesses nationwide have a variety of competitive alternatives to voice services provided by incumbent LECs and may purchase voice service as part of bundled IP-based services—including wireless, video, and broadband. None of the various entities providing competing voice services, including mobile wireless providers, competitive LECs, interconnected VoIP providers, and over-the-top VoIP providers are subject to price regulation of end-user charges. Thus, mobile wireless providers and competitive LECs are free to price these services as they wish, subject only to the general requirement that the rates be just and reasonable.

Consistent with other proposals in this Notice of Proposed Rulemaking to complete the transition to bill-and-keep, we propose to eliminate ex ante pricing regulation for TACs and mandatorily detariff these charges nationwide by exercising our authority to forbear from the related tariffing and pricing rules and obligations. Ex ante pricing regulation of Telephone Access Charges includes the Commission's rules that establish these rates and charges. 47 CFR 51.915(e), 51.917(e), 69.115, 69.152, 69.153, 69.157. Tariffing requirements are contained in section 203 of the Act and part 61 of the Commission's rules. 47 U.S.C. 203(a); 47 CFR part 61. We propose to forbear from both ex ante pricing regulation and tariffing obligations. We seek comment on whether the three-prong test for forbearance in section 10 of the Act is satisfied.

Are the TAC rules and requirements imposing ex ante price regulation and tariffing still necessary to ensure that the charges, practices, classifications, or regulations for the services at issue are just and reasonable and are not unjustly or unreasonably discriminatory, given the widespread competition for voice services as discussed above? As the Commission has previously explained, "competition is the most effective means of ensuring" that rates are just and reasonable. When markets become competitive, pricing and tariffing regulations are not only unnecessary, they can become counterproductive. In 2016, the Commission examined the voice services marketplace and observed that "[t]here has been an indisputable 'societal and technological shift' away from switched telephone service as a fixture of American life." The Commission's conclusion is even more true today, given the proliferation of non-switched access voice service alternatives in the marketplace. As carriers transition to all IP-network services in an increasingly competitive marketplace, voice service will become one of many applications on that network. With the industry poised to complete the transition of remaining access charges to bill-and-keep following the adoption of an order, we expect carriers will rely on IP-network efficiencies to recover service costs directly from their end users, like other IP-based services do today. Given these IP-related efficiencies and the proportionately small data volume voice traffic comprises, is it nonetheless likely that carriers will significantly increase end-user charges over the long term if they are no longer subject to ex ante rate regulation and detariffed? If so, then for how long might such increases persist?

Will the widespread availability of competitive alternatives for voice services constrain the prices pertaining to TACs? Are the related tariffing requirements and ex ante pricing regulation no longer necessary for consumer protection? Will enabling end-user rates to more closely reflect the actual costs incurred by incumbent LECs to provide service send more accurate pricing signals, stimulate competition, and lead to more efficient investment and production? Will it also promote transparency and support a more sustainable and market-driven framework for voice services? Are the steps we propose aligned with the overall objectives in this *Notice*?

Do ex ante pricing regulation and tariffing requirements no longer serve the public interest, given the evidence of widespread competition and the harmful effects that unnecessary

regulation can impose? The Commission has found that costs of regulation may outweigh the benefits, even in less-than-fully-competitive markets, particularly where regulatory costs are imposed on only one class of competitors. In this case, because TACs are limited to legacy voice service provided by incumbent LECs and do not apply to end-user-IP or mobile voice services, eliminating ex ante rate regulation of end-user charges will likely enable efficient pricing signals and lead incumbent LECs to align their services more closely with end-user needs. Similarly, eliminating the administrative costs of ex ante pricing regulation and tariffing requirements may help free up resources that carriers can devote to deploying next-generation networks with modern voice and advanced communications services. We seek comment on these effects and other effects we should consider.

Under a bill-and-keep framework, carriers will have the opportunity to recover their costs of providing voice service directly from end users, subject to the competitive constraints of the marketplace which we consider to be in the public interest. Would removing ex ante rate regulation and detariffing end-user charges provide carriers with the pricing flexibility and certainty necessary to support a successful transition to a bill-and-keep framework for intercarrier compensation? Will increased pricing flexibility enable carriers to respond more promptly and effectively to evolving competitive conditions in the marketplace?

Other Rules Related to TACs. We propose to eliminate the Residential Rate Ceiling because it would serve no purpose after the elimination of ARCs. We also seek comment on any additional rules related to TACs that should be eliminated. We decline to revisit the Commission's prior proposal to impose restrictions on how carriers display end-user charges on customer bills. We ask commenters to evaluate these proposals in the context of the two converging industry transitions that form the basis of this Notice of Proposed Rulemaking: the financial transition from intercarrier compensation to subscriber-based cost recovery, and the technological transition from legacy TDM switched access services to all-IP services. What other rules may impede the financial and technological transitions and therefore warrant elimination or modification? We ask that commenters provide specific rule sections and language edits if necessary.

Implementing Telephone Access Charge Reform

To allow affected carriers sufficient time to detariff and perform any needed billing system changes, we propose a transition that would permit carriers to detariff Telephone Access Charges with a July 1 effective date, consistent with the effective date of the annual access charge tariff filing following the effective date of the order in this proceeding, and would require carriers to detariff these charges no later than the effective date of the second annual tariff filing following the effective date of such order. Carriers would be allowed to permanently remove Telephone Access Charges from relevant portions of their interstate tariffs only on one of these two annual access tariff filing dates at their option. Carriers would not be permitted to detariff these charges on any other dates. Once detariffed, these charges will no longer be subject to ex ante pricing regulation. We seek comment on these proposals. Would this timeframe provide carriers with sufficient time to complete any billing system changes, notify customers of rate changes, and more generally complete tariff revisions and detariffing? If not, how much time would carriers require? If carriers believe other detariffing timeframes are appropriate, they should specifically explain and provide the reasoning of their proposal. Do the two designated annual filing dates offer carriers sufficient flexibility in choosing when to detariff their TACs?

Proposed Changes to Universal Service Support and Contributions Calculations Related to Telephone Access Charge Deregulation

Telephone Access Charges Used to Calculate USF Support. Revenues from some TACs are factors in the computation of USF support for rate-of-return carriers. Specifically, ARC revenue is subtracted from the Eligible Recovery to determine the amount of CAF ICC support a rate-of-return carrier is entitled to receive. Although our rules prohibit an incumbent LEC from assessing an ARC on residential customers that would cause the carrier's total charges to exceed the Residential Rate Ceiling, a rate-of-return carrier can recover this amount through CAF ICC. The SLC, Line Port Charge, and Special Access Surcharge revenues are subtracted from a carrier's common line revenue requirement to determine the amount of Connect America Fund Broadband Loop Support (CAF BLS) a carrier is entitled to receive.

CAF ICC. As discussed below, the CAF ICC support that a rate-of-return

carrier receives is reduced by the ARC that the carrier is permitted to charge or by an imputed amount in certain situations. In this NPRM, we seek comment on phasing down CAF ICC following the completion of the transition of the remaining access charges to bill-and-keep. We also propose to discontinue all CAF ICC calculations under § 51.917 effective June 30 of the tariff year in which the transition to bill-and-keep is completed. Following the detariffing of TACs, including the ARC, CAF ICC will no longer be based on the portion of Eligible Recovery not recovered through the ARC. Thus, a rate-of-return carrier would not need to subtract ARC revenues from Eligible Recovery to determine the amount of CAF ICC support it is entitled to receive. We seek comment on this assumption. We invite parties to suggest other approaches for addressing potential effects of detariffing TACs on CAF ICC. Parties should identify potential issues and quantify the costs and benefits that would result from any alternative proposals.

CAF BLS. Pending additional review and discussion in related proceedings, we propose that legacy rate-of-return carriers receiving CAF BLS support based on costs use fixed amounts—\$6.50 per month for residential and single-line business lines, and \$9.20 per month for multi-line business lines (the maximum SLC permitted under our rules)—to calculate their CAF BLS. Using fixed values rather than tariffed rates will ensure stable support calculations while simplifying administration during TAC deregulation and the detariffing transition. We anticipate minimal impact since most such carriers already are entitled to assess the maximum SLCs. We seek comment on this proposal.

We also propose to remove any requirement to offset Special Access Surcharges from CAF BLS during the TAC deregulation and detariffing transition period. As a result, a carrier receiving CAF BLS will not have to reflect any revenues from the Special Access Surcharge in determining revenues for purposes of calculating CAF BLS. Given the minimal amount of Special Access Surcharge revenues currently being collected, we expect making this change will have a negligible impact on carriers' receipt of CAF BLS support. Additionally, we propose to require carriers to use the rates they are charging for line ports as of the effective date of an order adopting these reforms in their CAF BLS support calculations. This recognizes that rates

for individual Line Port Charges vary among carriers.

We expect that these proposed approaches will limit any adverse effects on the CAF BLS program during the TAC deregulation and detariffing transition and also minimize the administrative and other burdens on legacy rate-of-return carriers, most of which are small entities. We invite parties to comment on this expectation. Are there alternative approaches the Commission should consider to account for the transition of TAC revenues when carriers calculate their CAF BLS?

Contributions to USF and Other Federal Programs. Every telecommunications carrier that provides interstate telecommunications services has an obligation to contribute, on an equitable and nondiscriminatory basis, to the federal USF and several other programs. Contributions to the USF are based on a percentage of the providers' interstate and international end-user telecommunications revenues. Thus, carriers must apportion telecommunications revenues between the intrastate, interstate, and international jurisdictions. Although the Commission has not codified any rules for how USF contributors should allocate revenues between the interstate and intrastate jurisdictions for contributions purposes, many incumbent LECs (and some competitive carriers) have relied on the tariffing of TACs at the federal level as their means of determining their interstate and international revenues for contributions purposes. Among other things, the Commission instructs that revenues from services offered under interstate tariffs, such as revenues from federal subscriber line charges, should be classified as interstate revenues. Carriers report their revenues on FCC Form 499-A and those revenues are used for purposes of determining carriers' contributions to the USF, the Interstate Telecommunications Relay Service Fund, Local Number Portability Administration, and North American Number Plan Administration.

In certain cases the Commission permits providers to use safe harbors or traffic studies to allocate revenues. Wireless telecommunications providers and providers of interconnected and non-interconnected VoIP may avail themselves of safe harbors to allocate interstate revenues. The Commission has set an interstate safe harbor of 37.1% for wireless providers and 64.9% for VoIP providers. In adopting the wireless safe harbor, the Commission reasoned that this would ensure that mobile wireless providers' obligations are on par with carriers offering similar

services (e.g., wireline telecommunications providers) that must report actual interstate end-user telecommunications revenue. And, in adopting the VoIP safe harbor, the Commission explained that interconnected VoIP service is often marketed as a substitute for wireline toll service and is thus an "appropriate analogue" for that service. On this basis, the Commission established the 64.9% safe harbor, which was the percentage of interstate revenues reported to the Commission by wireline toll providers. Wireless providers and providers of interconnected and non-interconnected VoIP may also rely on traffic studies if they are unable to determine their actual interstate and international revenues. Traffic studies must be filed with the Commission and follow strict requirements.

We propose to adopt an interstate safe harbor during the transition of access charges to bill-and-keep allowing carriers to treat 25% of their local voice services revenue—including revenues from local exchange service and associated access charges, but excluding bundled toll services—as assessable for contributions purposes. As the Commission has recognized, adopting a safe harbor is "necessarily the product of line drawing." Here, we note that our proposed 25% safe harbor reflects the historical allocation of common line costs to the interstate jurisdiction, and should therefore not meaningfully affect the contribution factor. Alternatively, a carrier that does not want to rely on the safe harbor would have the option of providing a traffic study demonstrating the actual percentage of its voice traffic that is interstate and international in nature and using that percentage to determine its contributions base. We seek comment on these proposals, including alternative safe harbors. Should we apply the 64.9% safe harbor for VoIP to all voice services as the industry transitions toward all-IP networks? As the industry contributions to the USF are calculated based on USF demand, how relevant is the safe harbor rate, since the contribution factor will be applied across the entire assessable base to collect the amount needed to fund demand for the quarter?

Phasing Out CAF ICC

We seek comment on phasing out CAF ICC following the transition of the remaining access charges to bill-and-keep as proposed above. Consistent with the principle of bill-and-keep, carriers would look to their own end users instead of USF support to recover the costs of their networks following the phasedown. We expect that gradually

phasing out CAF ICC, in conjunction with the other reforms we propose today, will expedite the transition to all-IP networks by giving carriers the incentive to invest in new technologies. We recognize that a gradual and thoughtful approach is essential to avoid creating regulatory uncertainty and minimize impacts on carriers, such as destabilizing revenue and hindering future network investment. As discussed below, we seek comment on a phasedown of rate-of-return carriers' CAF ICC support amounts over two years following the completion of the transition to bill-and-keep to promote an orderly transition away from CAF ICC support. We seek comment on alternative approaches—enacting the phasedown by instead reducing the amount of the total CAF ICC budget over the same time period as well as beginning the phasedown in conjunction with the transition to bill-and-keep.

Background. As part of the intercarrier compensation reforms adopted in the *USF/ICC Transformation Order*, the Commission created a "transitional recovery mechanism to facilitate incumbent LECs' gradual transition away from ICC revenues." The recovery mechanism has two basic components. First, the Commission defines the revenues that incumbent LECs are eligible to recover, other than those derived from access rates that are at bill-and-keep, which is referred to as "Eligible Recovery." Then, the Commission specifies how incumbent LECs may receive their Eligible Recovery. In general, a carrier's Eligible Recovery is based on a decreasing percentage of the cumulative reduction in revenue each year resulting from the intercarrier compensation reform transition.

Eligible Recovery is calculated differently for rate-of-return and price cap carriers. As of July 1, 2019, price cap incumbent LECs no longer receive CAF ICC support. Thus, at present, only rate-of-return carriers may receive CAF ICC support. The calculation of a rate-of-return carrier's Eligible Recovery begins with its Base Period Revenue. A rate-of-return carrier's Base Period Revenue is the sum of certain intrastate switched access revenues net reciprocal compensation revenues received by March 31, 2012 for services provided during Fiscal Year 2011, and the projected revenue requirement for interstate switched access services for the 2011–2012 tariff period. The Rate-of-Return Carrier Baseline Adjustment Factor is equal to 95% for the period beginning July 1, 2012 and is reduced by 5% of its previous value in each

annual tariff filing. A rate-of-return carrier's Eligible Recovery for each relevant year of the transition is equal to the adjusted Base Period Revenue for the year in question, less the sum of: (1) projected intrastate switched access revenue; (2) projected interstate switched access revenue; and (3) net reciprocal compensation revenue (currently zero as reciprocal compensation rates are now at bill-and-keep).

The Commission's rules require rate-of-return carriers to project intercarrier compensation revenues for use in determining Eligible Recovery. Because projected demand likely differs from actual demand, the Commission adopted a true-up procedure for rate-of-return carriers to adjust their Eligible Recovery to account for any difference between projected and actual switched access and ARC revenues resulting from demand variations. Thus, the recovery mechanism now incorporates in the Eligible Recovery calculation a true-up of the revenue difference arising from differences between projected and actual demand for interstate and intrastate switched access services and the ARC for the tariff period that began two years earlier. Under the true-up procedure, a carrier's Eligible Recovery for the period reflecting the true-up would be reduced if the carrier's actual demand exceeded projected demand. Likewise, a carrier's Eligible Recovery would be increased if the carrier's actual demand was less than projected demand. The true-up process runs on a two-year lag such that any true-up payments are reflected two years after the relevant funding period.

After calculating Eligible Recovery, incumbent LECs may recover that amount first through the ARC, subject to caps, and, where eligible, CAF ICC support. A rate-of-return carrier may recover any Eligible Recovery that it did not or could not have recovered through the ARC through CAF ICC. For purposes of receiving CAF ICC support, a rate-of-return carrier must impute the maximum ARC charges it could have assessed under the Commission's rules. The Universal Service Administrative Company (USAC) administers CAF ICC. Under the Commission's rules, the CAF ICC funding period provides for disbursement of funds beginning July 1 through June 30 of the following year. A rate-of-return carrier seeking CAF ICC support must file data with USAC establishing projected eligibility for CAF ICC funding during the upcoming funding period, including any true-ups associated with earlier funding periods, on the date it files its annual access tariff filing with the Commission, which

is generally July 1. During the funding period, USAC monthly pays each rate-of-return carrier one-twelfth of the amount the carrier is eligible to receive during that annual funding period. USAC revises CAF ICC support amounts through the true-up process, which reconciles actual versus projected revenues for purposes of determining a carrier's Eligible Recovery.

Claims for CAF ICC support have decreased annually over the past decade. In 2015, CAF ICC claims were approximately \$426 million but they have dropped to approximately \$330 million in 2025. For program year 2026, FCC staff estimates that CAF ICC disbursements will be approximately \$324 million, indicating continued decline. As there are currently no published CAF ICC claims data for FY 2026, staff used CAF ICC disbursements for December 2025 from the USAC disbursement tool to develop an annualized estimate of likely CAF ICC claims. December 2025 CAF ICC disbursements were approximately \$27 million. Multiplying that figure by 12 months equals approximately \$324 million. We believe this is an accurate estimate of what CAF ICC claims will be for FY 2026. Approximately 1,091 rate-of-return carriers currently receive CAF ICC support.

Discussion. We seek comment on phasing down CAF ICC support over two years, beginning once the transition to bill-and-keep is complete. As an initial matter, we note that the recovery mechanism adopted in the *USF/ICC Transformation Order* is "limited in time." Indeed, in the *USF/ICC Transformation Further Notice*, the Commission sought comment "on the timing for eliminating the recovery mechanism—including end user recovery—in its entirety." The time-limited nature of the recovery mechanism is consistent with the Commission's goal of moving all intercarrier compensation charges to a bill-and-keep framework. As noted, the Commission phased out CAF ICC support for price cap carriers by 2019. In the *USF/ICC Transformation Further Notice*, the Commission sought comment on whether CAF ICC for rate-of-return carriers should be subject to a defined phase-out similar to the phase-out adopted for price cap carriers.

We seek comment on switched access line loss and decreases in switched access revenues since the adoption of the *USF/ICC Transformation Order*. In the *USF/ICC Transformation Order*, the Commission observed that "carriers are losing lines and experiencing a significant and ongoing decrease in minutes-of-use." The Commission

observed that rate-of-return carriers' interstate switched access revenues had been declining by approximately 3% annually. Taking into account declining switched access revenue and declining minutes-of-use, the Commission limited the decrease in the baseline amount from which rate-of-return carriers calculate Eligible Recovery to 5% annually. Rate-of-return carriers' Base Period Revenue from which carriers calculate Eligible Recovery has cumulatively been reduced by more than 50% since July 1, 2012 due to the annual 5% reduction in that amount. In the *USF/ICC Transformation Further Notice*, the Commission sought comment on how to treat demand in determining Eligible Recovery for rate-of-return carriers, proposing to modify the recovery baseline, including through the use of the same 10% decline it uses for price cap carriers. As we consider how to gradually and thoughtfully phase down CAF ICC support, we invite comment on switched access line loss and decreases in switched access revenues for rate-of-return carriers. In the *USF/ICC Transformation Order*, the Commission predicted that such trends were likely to continue. Have rate-of-return carriers continued to experience switched access line loss and decreases in switched access revenues since adoption of the *USF/ICC Transformation Order*? If yes, do those declines support phasing out CAF ICC? Why or why not?

How might the transition of the remaining originating and terminating access charges to bill-and-keep and the deregulation of end-user charges affect the ability of carriers to recover their costs? To aid the Commission in evaluating cost recovery, we seek cost data demonstrating the percentage of revenues derived from intercarrier compensation. The Commission has recognized that as the telecommunications industry transitions to all-IP networks, "non-regulated services are an increasingly important source of revenue derived from multi-purpose networks." Given this trend and the availability of other sources of revenue in an all-IP world, what effect would the phase-out of CAF ICC likely have on carriers' ability to recover the costs of their networks, particularly given the transition of access charges to bill-and-keep and the deregulation of end-user charges we propose today? How would our phase-out of CAF ICC facilitate the transition to all-IP networks? Would beginning the phase-down following the transition to bill-and-keep provide rate-of-return carriers with greater financial stability during

the transition to bill-and-keep? Why or why not?

We seek comment on a three-step phase-out. First, we would discontinue the requirement for all CAF ICC calculations under § 51.917 of the Commission's rules effective June 30 of the tariff year in which the transition to bill-and-keep is completed. The tariffing period is coterminous with the CAF ICC support funding period, which runs from July 1 through June 30 of the following year. 47 CFR 54.304(b). For example, if the Commission adopts an order reforming CAF ICC in 2026, CAF ICC calculations pursuant to § 51.917 of the Commission's rules would end as of June 30, 2026, regardless of when the Commission adopts its order.

Second, in the first tariff year following the transition of access charges to bill-and-keep, rate-of-return carriers would receive 66% of the amount of CAF ICC support they received in the tariff year in which the transition to bill-and-keep is completed. In the second tariff year following the transition of access charges to bill-and-keep, rate-of-return carriers would receive 33% of the amount they received during the tariff year in which the transition to bill-and-keep was completed. Beginning in the third tariff year, carriers would no longer receive CAF ICC support. We believe that this phase-out approach would provide sufficient time for rate-of-return carriers that may currently rely on CAF ICC support to upgrade their networks and make necessary adjustments, and we seek comment on this view.

We also seek comment on how to establish the baseline amount from which to enact the phase-out. As noted above, we seek comment on discontinuing all CAF ICC calculations under § 51.917 of the Commission's rules effective June 30 of the tariff year in which the transition to bill-and-keep is completed. Our proposed baseline amount—the amount of CAF ICC support carriers receive in the tariff year in which the transition to bill-and-keep is completed (*i.e.*, all ICC charges are at zero)—includes demand and therefore revenue true-up amounts for switched access services, Access Recovery Charges, and the imputation of Access Recovery Charges on CBOLs corresponding to the tariff year two years prior to the tariff year in which the transition to bill-and-keep is completed, as these revenues are true-up with a two-year lag under our existing rules. This approach is administratively simple and reflects precisely how CAF ICC should be calculated under our existing rules. Our proposed baseline will not consider revenue true-ups

corresponding to the tariff year in which the transition is completed as these will not be available on the start date of the CAF ICC phasedown (*i.e.*, July 1 of the tariff year following the one in which the order is adopted) and otherwise would be inconsistent with the Commission's rules. Furthermore, even if these demand true-ups were available on the start date, their inclusion in the baseline amount, which already includes true-up revenues corresponding to two years prior to the tariff year in which the transition is completed, would lead to double-counting of the relevant revenues. As an alternative, the amount of CAF ICC carriers received during the tariff year in which the transition is completed (tariff year "0") could be adjusted by subtracting the true-ups already reflected in that amount and adding the true-ups corresponding to tariff year 0 when these become available. Under this alternative, the CAF ICC support the carriers receive in the first tariff year of the phasedown would then be trueed up. We believe that this alternative is too complicated. We seek comment on whether the benefits of simplicity reflected in our proposed approach outweigh any costs.

As an alternative to stepping down each rate-of-return carriers' CAF ICC support to zero by the percentages specified above over two consecutive tariff years, should we instead phase out CAF ICC by making incremental reductions to the total amount budgeted for the program over three tariff years? As noted above, for program year 2026, FCC staff estimates that CAF ICC disbursements are approximately \$324 million. For example, taking that as a starting point, we alternatively propose to reduce the total annual budget for CAF ICC to \$225 million (about 70% of the 2025 budgeted amount) beginning on July 1 following the completion of the transition to bill-and-keep, and then to \$100 million (about 31% of the 2025 budgeted amount) beginning on July 1 of the second year, and finally to \$50 million (about 15% of the 2025 budgeted amount) beginning on July 1 of the third year following the completion of the transition. After the third year, the CAF ICC budget would be zero. Because this alternative proposal reduces the total amount budgeted for CAF ICC rather than an individual carrier's CAF ICC support amount, it would still be necessary to calculate each carrier's CAF ICC support amount pursuant to each budget reduction. Do commenters agree? Why or why not? How would each carrier's CAF ICC support be calculated under

this approach? Could we reduce each carrier's CAF ICC support so that each receives the aforementioned percentages of its baseline amount in the first, second, and third phasedown year (*i.e.*, respectively 70%, 31%, and 15% of the amount of CAF ICC support it received in the tariff year in which the order is adopted)? How, if at all, would phasing out CAF ICC through reductions in the total budget be preferable to reducing each carrier's support amount as discussed above?

Finally, rather than phasing down CAF ICC following the completion of the transition of remaining access charges to bill-and-keep, we seek comment on whether we should initiate the phase-out in conjunction with the transition to bill-and-keep. Under this approach, the three-step phase-out would begin June 30 of the tariff year in which the Commission adopts an order phasing down CAF ICC support. The baseline amount from which the Commission would enact the phasedown would be the amount of CAF ICC support carriers receive in the tariff year in which the Commission adopts an order phasing down CAF ICC support. Effective June 30 of the tariff year in which the Commission adopts an order phasing out CAF ICC, the Commission would discontinue the requirement for all CAF ICC calculations under § 51.917 of the Commission's rules. Then in the first tariff year following the Commission's adoption of an order, rate-of-return carriers would receive 66% of the amount of CAF ICC support they received in the tariff year in which the order was adopted. And, in the second tariff year following the Commission's adoption of an order, carriers would receive 33% of the amount they received during the tariff year in which the order was adopted. In the third tariff year, carriers would no longer receive CAF ICC support. We seek comment on the advantages and disadvantages of each of these approaches, and whether there are other approaches we should consider.

Deregulating Domestic Interstate and International Long-Distance Interexchange Services

In this section, we seek comment on the markets for domestic and international interstate interexchange services (long-distance services) and propose to detariff and deregulate these services. The Commission has generally used the term "long-distance" service to refer to all "interexchange service" or "telephone toll service." We propose to grant carriers forbearance from these remaining regulations that impose

unnecessary regulatory burdens on carriers providing domestic and international long-distance services. We also propose to forbear from tariffing requirements for the remaining domestic and international long-distance telecommunications services. We seek comment on these proposals.

Domestic Interstate Interexchange Services

The Commission has largely deregulated and detariffed domestic, interstate, interexchange services provided by IXC's except for a narrow subset of services and reporting requirements. In 1995, the Commission reclassified AT&T as nondominant in the interstate, domestic, interexchange market because AT&T lacked market power with respect to this market. In light of the 1996 Act and increasing competition, in 1996 the Commission exercised its forbearance authority under section 10 of the Act to prohibit nondominant IXC's from tariffing interstate, domestic, interexchange services under section 203 of the Act. The Commission concluded that "market forces" would ensure that "rates, practices and classifications" for interstate, domestic, interexchange services provided by nondominant IXC's are "just and reasonable" and "not unjustly or unreasonably discriminatory" and that it could address any illegal conduct through the complaint process. The Commission further found that detariffing domestic, interstate, interexchange services would "enhance competition among providers of such services" and "promote competitive market conditions." Accordingly, the Commission adopted § 61.19(a) of its rules which provides that "carriers that are nondominant in the provision of . . . interstate, domestic interexchange services shall not file tariffs for such services."

In 1997, the Commission reconsidered the extent to which interexchange services provided by nondominant IXC's were subject to mandatory detariffing. Specifically, the Commission allowed nondominant IXC's to permissively detariff "interstate, domestic, interexchange direct-dial services to which end-users obtain access by dialing a carrier's access code" (*i.e.*, dial-around 1+ service). In other words, IXC's were allowed, but not required, to tariff dial-around 1+ services. Dial-around 1+ calls are long-distance calls made by accessing an IXC other than the presubscribed IXC generally to take advantage of lower rates offered by the competing IXC. The Commission concluded that, absent a tariff, IXC's lacked a way to establish an enforceable

contract for dial-around 1+ services due to technical limitations which prevented the IXC from distinguishing dial-around 1+ calls from direct dial 1+ calls. Accordingly, section 61.19(b) of the Commission's rules allows nondominant IXC's to file tariffs for "dial-around 1+ services" that are "made by accessing the interexchange carrier through the use of carrier's carrier access code." The Commission also allowed permissive detariffing for the first 45 days of service to new customers that contact the LEC to choose their primary IXC. The Commission reasoned that tariffing should be permissible in this case because an IXC "does not have direct contact with the customer" and "may be unable immediately to ensure that a legal relationship is established." Accordingly, section 61.19(c) of the Commission's rules allows nondominant IXC's to tariff domestic, interstate, interexchange services applicable to "customers who contact the local exchange carrier to designate an interexchange carrier or to initiate a change with respect to their primary interexchange carrier."

In 2007, the Commission classified the BOCs and their independent incumbent LEC affiliates as "nondominant in the provision of in-region, interstate and international, long distance services." In effect, the BOCs and their independent incumbent LEC affiliates, among other things, were no longer subject to section 203 tariffing requirements and are barred from tariffing "in-region, interstate and international, long distance services."

Interexchange Marketplace. We seek comment on the state of the marketplace for TDM-based domestic, interstate, interexchange services provided by telecommunications carriers. We invite commenters to submit or identify data that would justify further pricing deregulation and detariffing of legacy TDM domestic, interstate, interexchange services. To what extent do TDM-based standalone or bundled long-distance service providers face declining sales and customers? To what extent do customers still purchase dial-around 1+ services from IXC's subject to tariff? Between December 2015 and December 2023, total voice subscriptions for local exchange telephone service and long-distance service decreased from 64.6 million to 20.6 million. Over this same period, total switched access lines provided by incumbent LEC's declined from 51.1 million to 16.5 million connections, while interconnected VoIP provided by non-incumbent LEC's increased from 46.5 million to 58.1 million. However, these figures are

dwarfed by 386.1 million mobile wireless voice subscriptions as of December 2023. We seek updated data and information on the marketplace for bundled local and long-distance interexchange service and presubscribed domestic, interstate, interexchange service.

The Commission traditionally regulated legacy TDM-based telecommunications service intercarrier compensation by distinguishing local traffic (reciprocal compensation) from long-distance traffic (access charges). More modern wireless and VoIP services are offered on an all-distance basis. To what extent is the distinction between local and long-distance service relevant to consumers? As of June 2024, approximately 40% of incumbent LEC switched access lines (5.84 million lines) were presubscribed to an IXC that is not an incumbent LEC or affiliate of an incumbent LEC. To what extent do business and residential customers currently purchase stand-alone long-distance service from presubscribed IXC's? To what extent do business and residential customers currently purchase long-distance service from an IXC unaffiliated with their LEC? To what extent do customers designate an IXC to the LEC?

Would forbearance from tariffing domestic, interstate, interexchange services (long-distance) under section 203 of the Act meet the statutory forbearance criteria under section 10 of the Act, specifically dial-around 1+ services and customer-designated IXC services? Why or why not? Is tariffing these services no longer necessary to ensure just and reasonable rates, terms, and conditions of service that are not unjustly or unreasonably discriminatory? Is tariffing these services no longer necessary to protect consumers? Is forbearance from tariffing these services consistent with the public interest? Would forbearance from tariffing these services promote competitive market conditions? The Commission permitted IXC's to tariff dial-around 1+ interexchange service because the technology at the time could not distinguish these calls from direct dial 1+ calls to establish a contractual relationship. In light of LEC's then "rapidly" deploying SS7-capable switches, the Commission predicted that the concern which gave rise to the rule "will not be an issue in the near future." Are IXC's capable of distinguishing dial-around 1+ services from direct dial 1+ interexchange calling? Do advanced IP calling services eliminate the technical concerns that rationalized the rule?

Certification and Recordkeeping Requirements. When the Commission detariffed nondominant interexchange services in 1996, it imposed certification and recordkeeping requirements to ensure compliance with the geographic rate averaging and rate integration obligations under section 254(g) of the Act. Section 254(g) of the Act ensures “that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas shall be no higher than the rates charged by each such provider to its subscribers in urban areas.” This section also ensures that a “provider of interstate interexchange telecommunications services shall provide such services to its subscribers in each State at rates no higher than the rates charged to its subscribers in any other State.” The Commission codified this provision in § 64.1801 of its rules.

To ensure compliance with section 254(g) of the Act, in 1996 the Commission required nondominant IXCs providing interexchange services to “file annual certifications signed by an officer of the company under oath that they are in compliance with their statutory geographic rate averaging and rate integration obligations” under section 254(g) of the Act. The intent was to “put carriers on notice that they may be subject to civil and criminal penalties for violations of these requirements, especially willful violations.” Section 64.1900 of the Commission’s rules requires nondominant IXCs providing detariffed interstate, domestic, interexchange services, to annually certify through an officer of the company, under oath, that it is in compliance with their “geographic rate averaging and rate integration obligations” under section 254(g) of the Act.

In light of marketplace and technological developments, we seek comment on whether we should forbear from section 254(g) and eliminate § 64.1801 of the Commission’s rules. Does forbearance from section 254(g) satisfy the statutory criteria under section 10 of the Act? Why or why not? Is section 254(g) of the Act no longer necessary to protect consumers, particularly in rural and high cost areas? To what extent has the transition from distance-sensitive TDM-based services to all distance IP-based services rendered section 254(g) of the Act unnecessary? Do the costs and burdens associated with the transition from distance-sensitive TDM-based services to all distance IP-based services disproportionately impact smaller, rural providers? Are there sufficient competitive alternatives to TDM-based

interexchange service in rural and high cost areas such as wireless and satellite? Are competitive alternatives to interexchange service being offered at rates in rural and high cost areas no higher than urban and lower cost areas?

We also seek comment on whether we should eliminate certification requirements under § 64.1900 of the Commission’s rules. Commenters in the Commission’s *Delete, Delete, Delete* proceeding identified § 64.1900 certifications as “needless certifications” that “require regulatees (who are already required to comply with the law) file additional paperwork with the Commission that they are indeed complying with the law.” If the Commission forbears from section 254(g) of the Act, is § 64.1900 no longer necessary? Do the costs to carriers of administering § 64.1900 certifications outweigh the benefits? Are § 64.1900 certifications no longer necessary to ensure just and reasonable rates, terms, and conditions of interexchange service that are not unjustly or unreasonably discriminatory? Are these requirements no longer necessary to protect consumers, particularly in rural and high cost areas? Would forbearance be in the public interest and promote competitive market conditions? Does the Commission have sufficient authority under section 208 of the Act and other sources to punish the behavior § 64.1900 certifications were intended to discourage?

In 1996, the Commission also required nondominant IXCs to make public current rates, terms, and conditions for all detariffed interstate, domestic, interexchange services. The Commission recognized that “in competitive markets carriers would not necessarily maintain geographically averaged and integrated rates for interstate, domestic, interexchange services” as required by section 254(g) of the Act. The Commission found that “publicly available information is necessary to ensure that consumers can bring complaints, if necessary, to enforce” the 1996 Act’s geographic rate averaging and rate integration requirements. Section 42.10 of the Commission’s rules requires nondominant IXCs to make publicly available their current rates, terms and conditions for all interstate, domestic, interexchange services and also make this information available online on their websites. Section 42.11 of the Commission’s rules requires nondominant IXCs to “maintain, for submission to the Commission and to state regulatory commissions upon request, price and service information regarding all of the carrier’s . . .

interstate, domestic, interexchange service offerings.” This information must be available to be produced within ten business days and must be retained for at least two years and six months following the date the carrier ceases to provide service.

In light of marketplace changes and technological developments, we seek comment on whether the Commission should eliminate §§ 42.10 and 42.11 of its rules. Without these recordkeeping requirements, to what extent can the public, Commission, and state regulatory commissions review rates, terms, and conditions to ensure compliance with section 254(g) of the Act? If the Commission forbears from section 254(g) of the Act, are §§ 42.10 and 42.11 of the Commission’s rules no longer necessary? We seek comment on whether the costs on carriers of maintaining price and service information required by §§ 42.10 and 42.11 outweigh the benefits. To what extent do these rules impose unnecessary regulatory burdens on carriers?

Are there any other rules related to domestic, interstate, interexchange service that the Commission should consider revising, streamlining, or eliminating? If so, why? Do the costs of maintaining these rules outweigh any benefits?

Transition. We seek comment on whether we should adopt a transition for IXCs to detariff domestic, interstate, interexchange services and, if so, how long this period should be. We believe a two-year transition period to detariff these services would be appropriate and would coincide with the transition of switched access charges to bill-and-keep and seek comment on this approach. During the transition period under our proposed approach, IXCs would be allowed to cancel their tariffs for interstate, domestic, interexchange services and the Commission would accept revisions to the IXC’s tariffs for these services. However, the Commission would not accept new tariffs or revisions to existing tariffs for long-term service arrangements for domestic, interstate, interexchange service beyond the two-year transition. At the conclusion of the transition period, IXCs would no longer be permitted to tariff domestic, interstate, interexchange services and would have to cancel any such tariffs. We seek comment on this proposed approach.

Eliminating Outdated Interexchange Service Requirements

We also propose to eliminate outdated customer account record exchange requirements contained in part 64 of the

Commission's rules. The Commission adopted these rules in the early 2000s to facilitate the exchange of customer account information between LECs and IXC's in order to execute customer billing change requests in a timely manner. We seek comment on whether we should delete part 64, Subpart CC given changes in the marketplace or whether these rules remain necessary, in whole or in part. Do these rules impose unnecessary burdens on LECs and/or IXC's? Are these rules necessary to protect consumers or to facilitate timely exchange of customer account information? Do our rules prohibiting slamming and establishing truth-in-billing requirements resolve the underlying concerns of our customer account record exchange requirements such that these requirements are no longer necessary? And would that remain true if we modify the slamming and truth-in-billing rules as we recently proposed? Do carriers rely on these rules to implement customer requests or for other business and operational reasons? Are there modifications to these rules that might better serve consumers and carriers in lieu of elimination of the rules?

International Interexchange Service Detariffing International Interexchange Service

We propose to eliminate all remaining tariff requirements applicable to international interexchange services for dominant and nondominant carriers. Currently, carriers that are classified as dominant in the provision of international telecommunications services on a particular route for reasons other than holding a foreign carrier affiliation are required to file tariffs for international interexchange service. With respect to nondominant carriers, in the *2001 International Interexchange Order*, the Commission no longer required these carriers to file tariffs for their international interexchange services but they may file tariffs based on four limited exceptions under "permissive detariffing." The Commission found that the market at the time for nondominant carriers necessitated the detariffing in accordance with the forbearance criteria in section 10 of the Act but allowed and did not require carriers to file tariffs under "permissive detariffing." The Commission allowed "permissive detariffing" of certain services, stating that these exceptions to the general detariffing rule were necessary to address specific, largely short-term situations where the reliance upon a contract could delay service initiation

for a particular user. Over the past two decades, the international interexchange service marketplace has changed significantly with the myriad options for international calling now available, including free VoIP. We seek comment generally on the current market and usefulness of tariffing for dominant carriers and whether the Commission should continue to allow permissive tariffing for nondominant carriers in these limited circumstances. We seek comment on whether the current international interexchange service tariffing rules remain in the public interest.

Dominant Carriers. We propose to detariff international interexchange services for dominant carriers entirely. Accordingly, we tentatively conclude that the Act requires us to forbear from applying section 203 of the Act and to adopt a policy of complete detariffing for dominant carrier international interexchange services. We seek comment on this tentative conclusion. We further seek comment about whether this tentative conclusion meets the three prongs of the statutory forbearance criteria of section 10(a). Is tariffing dominant international interexchange service no longer necessary to ensure just and reasonable rates, terms, and conditions of service that are not unjustly or unreasonably discriminatory? Is tariffing international interexchange service no longer necessary to protect consumers? Is forbearance from tariffing consistent with the public interest? Would forbearance from tariffing interexchange services promote competitive market conditions? As discussed in greater detail below, we tentatively conclude that a formal market power analysis is not required, nor must we determine that carriers are nondominant in the provision of international interexchange services in order to support our forbearance analysis. To the extent commenters argue that the Commission should or must determine that carriers are nondominant in the provision of international interexchange services, what type of market analysis would be required or appropriate?

We further seek comment on the current state of the international interexchange market. Are there currently any carriers with market power on the U.S. end of any U.S.-international routes? If there are currently no dominant carriers, are the market conditions suitable for a carrier to become dominant on a U.S.-international route in the future? What other factors should we consider in examining the international interexchange market for dominant

carriers since we last revised the rules? Are there any regional differences that we should consider? How would detariffing these services comport with our international trade obligations? How could this change mitigate the risk of international contract disputes? Has the market for international interexchange service evolved through technology such that dominant carrier tariffs are no longer needed? If we find that there are no longer dominant carriers on U.S.-international routes, should we remove the dominant carrier tariff requirement as it would no longer be needed, consistent with broader goals of the Commission's *Delete, Delete, Delete* proceedings?

Nondominant Carriers. We propose to eliminate the permissive tariff requirement for nondominant carriers. We seek comment on this proposal. The Commission allows nondominant carriers to file permissive tariffs on four services listed in § 61.19 of the Commission's rules. For nondominant carriers, are there any reasons for retaining the permissive tariff rule? We seek comment on whether the services listed in the rule have changed significantly in the last 20-plus years. Are there any services that we should retain for permissive tariffing and why? Our records indicate that nondominant carriers continue to tariff some international interexchange service. We seek comment on the extent that carriers still tariff these international services. How would detariffing these services comport with our international trade obligations? How could this change mitigate the risk of international contract disputes? Do the current services for permissive tariffs continue to be offered in the market? For example, how prevalent is the availability and use of 1010-XXX dial-around international long distance service? Is international inbound collect calling to the United States commonly in use? How have Mobile Satellite Services (MSS) offerings evolved since 2001? What other considerations should we take into account? We believe that on-demand MSS as described when the permissive tariff rule was adopted is no longer an available service, and seek comment on this. What would be the benefits of removing the rule? What are the cost and benefits for either approach? How would this affect small entities?

Twenty years ago, new LEC customers could contact their LEC service provider and request (or change) an international interexchange provider, without establishing a direct relationship between the customer and the international interexchange provider

until the parties entered into a contract. Do local exchange carrier customers still contact their provider to request a different international interexchange carrier? To the extent that these customers still contact their provider to request a different international interexchange carrier, is 45 days still a reasonable timeframe for a provider to establish a contract with the customer after the provider receives a customer's request? If so, we seek information or estimates on the number of customers that still contact their landline carrier to change their international interexchange carriers.

Would removal of permissive tariffs impede competition in the market for international interexchange services? For example, do international dial-around services still exist, and if so could they be provided in the absence of tariffs? When the international IXC tariff rules were adopted, international dial-around service providers could not enter into contracts with customers without tariffing. Moreover, the Commission noted decades ago that mass market customers rarely, if ever, consult tariff filings and when they do, they find them difficult to understand. What methods exist for communicating service plans and rates to customers today?

We believe that elimination of permissive tariffs for nondominant carriers will produce pro-consumer benefits by incentivizing carriers to be more responsive to customer demands and to offer a greater variety of innovative price and service packages. The elimination of all nondominant carrier tariff filings would also prevent potential situations in which carriers seek to avoid contract obligations or refuse to negotiate with customers based upon the filed-rate doctrine (which is in effect even for tariffs filed on a permissive basis) and the Commission's tariff filing and review processes. We seek comment on our assessment.

Public Disclosure and Retention Requirements

When the Commission detariffed international interexchange service in 2001, it found that adopting public disclosure and maintenance of information requirements would benefit consumers and further the public interest, while also promoting carrier compliance with the requirements of the Act. The Commission also believed that these requirements would permit consumers to have the information necessary to make efficient choices regarding their optimal service plans. The Commission has recognized that consumers need information about

carriers' rates, terms, and conditions. For example, the Commission stated that "consumers will need information concerning carriers' rates, terms and conditions in order to bring complaints to ensure carrier compliance with the requirements of the Act" Consumers also need this information to determine the most appropriate rate plans that may meet their individual calling patterns. Below we seek comment on our proposal to eliminate or reduce these disclosure and maintenance requirements given the changes in the international interexchange market since they were adopted.

Public Disclosure. For nondominant IXCs, we seek comment on whether to eliminate the public disclosure requirement in § 42.10 of the Commission's rules. Nondominant carriers provide information to the public through either voluntary tariffs for certain services or through the public disclosure requirements. For the public disclosure requirement, nondominant carriers provide information to the public concerning current: (1) rates; (2) terms; and (3) conditions for all of their international interexchange services, in at least one location during regular business hours, and on websites (if the carrier maintains a website). As discussed herein, if the Commission removed the ability for nondominant IXCs to file voluntary tariffs (permissive tariffs), we propose to eliminate the nondominant IXCs' public disclosure requirement to have publicly accessible rate and service information files available at a physical location. Should nondominant IXCs instead provide that information on their websites since under the current requirement, if a nondominant IXC maintains a website currently it must make such rate and service information available there in a timely and easily accessible manner, and update this information regularly? Or, should we eliminate the § 42.10 public disclosure requirements for nondominant IXCs altogether? Is this information necessary for consumers to make an informed choice, and is this information necessary for the Commission to evaluate consumer complaints and enforce sections 201 and 202 of the Act? We seek comment on the benefits and costs for either of these approaches. How would this comport with international obligations to make such offers available? If the publicly accessible information is available at a physical location (rather than, or in addition to, a website), where should this be and how should it be maintained

and updated for public access? Moreover, how would our rule changes impact small entities? What are the cost and benefits that may result from our proposal compared to the current cost and benefit?

For dominant IXCs, we consider a public disclosure requirement given the changes discussed above. As a starting point, dominant carriers provide the public with information about service rates, terms, and conditions through filing tariffs with the Commission. However, as discussed today, if the Commission no longer requires tariffs for dominant international IXCs, and if there are any dominant IXCs still providing service, we seek comment whether we should adopt new public disclosure requirements for dominant IXCs. Should a new public disclosure requirement for dominant IXCs be the same or different than the disclosure requirements for nondominant carriers? What market considerations and consumer needs influence the amount of and method for a public disclosure requirement for dominant IXCs? Would limiting the public disclosure requirement to website information posts instead of physical location files help achieve our goal of giving the public information about service rates, terms, and conditions for dominant interexchange service?

Retention Rule. We seek comment whether to eliminate or modify the retention rule that requires nondominant carriers to maintain price and service information regarding all of their international interexchange service offerings. Under § 42.11 of the Commission's rules, the Commission requires nondominant international IXCs to retain price and service information regarding all of their international interexchange service offerings for a period of at least two years and six months following the date the carrier ceases to provide international services on such rates, terms and conditions. This affords the Commission sufficient time to notify a carrier of the filing of a section 208 complaint. This price and service information must be maintained in a manner that allows the carrier to produce such records within ten business days of receipt of a Commission request. In adopting these requirements, the Commission stated that such records would assist the Commission in monitoring compliance with the Act and the Commission's rules and will help address potential violations that may require enforcement action. We seek comment on whether we should eliminate this rule. If we retain it, should the dates be shortened?

How would our rule changes impact small entities? What are the cost and benefits that may result from our proposal compared to the current cost and benefit?

Filing of Carrier-to-Carrier Contracts for International Service for Dominant Carriers

We propose to *eliminate* § 43.51(b)(2) of the Commission's rules that requires routine filing of dominant interexchange carrier-to-carrier contracts with foreign carriers as this rule is no longer necessary. Section 211(a) of the Act requires a carrier to file with the Commission the contracts that the carrier has with other carriers affecting traffic regulated under the Act. Section 211(b), provides that the Commission "shall also have the authority to exempt any carrier from submitting copies of such minor contracts as the Commission may determine," giving the Commission "the discretion to exempt carriers from filing contracts, including those referred to in section 211(a), when we determine that those contracts are of minor significance to the regulatory scheme." Section 43.51 implements section 211 of the Act by requiring certain common carriers providing domestic services and all common carriers providing international services to file with the Commission copies of carrier-to-carrier contracts for domestic and international services. Section 43.51 requires these carriers to file copies of contracts, agreements, concessions, licenses, authorizations, or other arrangements that relate to the exchange of services and the interchange or routing of traffic and matters concerning rates. The current contract filing requirements for international interexchange carriers apply to U.S. dominant carriers for any service on any of the U.S.-international routes included in the contract, other than U.S. carriers classified as dominant due only to a foreign carrier affiliation. Section 43.51 also states that any U.S. carrier, other than a provider of commercial mobile radio services, that is engaged in foreign communications, and enters into an agreement with a foreign carrier, is subject to the Commission's authority to require the filing of a copy of each agreement to which it is a party.

Even if we retain dominant international interexchange carrier rules, we propose to eliminate the routine filing of carrier-to-carrier contracts because less burdensome options are available for the Commission to obtain this information. We propose instead to require dominant international carriers to maintain copies of the contracts (specifically, contracts

related both to: (a) the exchange of services and (b) rates as described in § 43.51(a)(i) and (ii)) on their premises, consistent with the contract maintenance provision of § 43.51 that applies to contracts for domestic service, and that the international interexchange carrier contracts must be readily accessible to Commission staff and members of the public upon reasonable request. For example, we may want to review the carrier-to-carrier contract when a complaint against a dominant carrier is filed with the Commission. We also propose that upon request by the Commission, the interexchange carrier would promptly (and within 10 business days) need to forward individual contracts to the Commission. We seek comment on this proposal, as well as methods by which the Commission can request the contracts (*e.g.*, via electronic filing through ICFS, email, or paper mailing). Moreover, we expect that such contracts will rarely need to be filed, considering that few, if any, contracts have been filed since the late 1990s. Would this requirement satisfy the United States' international trade commitments to ensure "that a major supplier will make publicly available either its interconnection agreements or a reference interconnection offer"? If, on the other hand, the filing of these foreign communications contracts is no longer necessary, should the Commission rescind the related rules and what exact rules should be deleted?

Transition to Mandatory Detariffing of International Interexchange Services

We propose to eliminate the ability to file permissive tariffs and completely detariff international interexchange services for dominant carriers and nondominant carriers pursuant to section 203 of the Act for their international interexchange services, following the transition plan for access charges to mandatory detariffing described above. We propose that once a carrier (whether dominant or nondominant) has detariffed its international services, it must be in compliance with the relevant public information and disclosure requirements, to the extent any international services remain and to the extent that we adopt any such requirements for dominant carriers. We seek comment on these proposals, and we invite commenters to offer other transition proposals, including a shorter timeframe. How would our proposals impact small entities? What are the cost and benefits for either of our proposals?

Necessary Rule Changes

We propose rules below that would effectuate the reforms proposed in today's Notice of Proposed Rulemaking. We seek comment on these proposed rules. We also seek comment on any other specific rule changes or new rules necessitated by today's proposals after consideration of the record. Any comments proposing new or amended rules should include, as part of the commenter's submission, a draft rule or markup of an existing rule.

Other Considerations

We believe that a thoughtful transition of all remaining access charges to bill-and-keep will lead to more efficient telecommunications networks to serve consumers. We seek comment on this belief and general comment on how providers' market incentives will change as they complete the transition of remaining access charges to bill-and-keep. Are there other reasons that carriers may need to maintain and prolong the use of legacy TDM networks which we have overlooked? Are there any access services that would continue to offer utility in an all-IP network? If so, what are they, and why?

Costs of the IP Transition for Rate-of-Return Carriers. We invite comment on the estimated costs of the transition to all-IP networks for rate-of-return carriers, including the costs associated with transitioning remaining access charges to bill-and-keep. The Commission has observed that "rate-of-return carriers are particularly sensitive to disruptions in their interstate revenue streams." To what extent will rate-of-return carriers need additional funding to implement the IP transition? If so, what type of funding mechanism do commenters propose? Instead of phasing out CAF ICC as discussed above, should the Commission instead continue to allow rate-of-return carriers to receive CAF ICC support until the transition to all-IP networks is complete? How should the Commission determine when the transition is complete for this purpose? Is existing CAF ICC support sufficient to cover some or all of the costs of the IP transition? Why or why not? We ask that commenters provide detailed information regarding any gaps between existing support and the costs to fully transition to an all-IP network.

If the Commission were to create a new funding mechanism specific to the IP transition for certain carriers, how should that funding be allocated among eligible carriers? Should such funding be tied to the costs of the IP transition as a whole, allocated based on lost

intercarrier compensation revenues, or based on some other metric? How should the Commission obtain reliable cost data? Should the Commission adopt a Total Cost and Earnings Review mechanism similar to the mechanism adopted in the *USF/ICC Transformation Order* to allow carriers to demonstrate that supplemental funding is needed? If so, what categories of information should carriers be required to provide to the Commission? Should any new funding mechanism be based only on the forward-looking costs of the transition? How should carriers estimate those costs for the Commission? We invite comment on these and any other issues concerning the need for additional funding for rate-of-return carriers to support the IP transition.

Competitive Conditions. How will the transition to the bill-and-keep framework and all-IP networks change the market power that various carriers currently exercise? As providers transition to bill-and-keep and move to all-IP interconnection, will certain types of providers gain market power over voice services, and will any be positioned to exercise market dominance? For instance, could intermediate carriers exert disproportionate negotiating leverage over smaller rural LECs, or is the market for intermediate and transit services sufficiently competitive to mitigate such concerns? Conversely, will the transition to bill-and-keep and IP networks help prevent any particular providers from gaining dominance and market power? What effect, if any, will the IP transition have upon providers that maintain their networks using TDM technology? Are any consumers at risk of large price increases for service as a result of the transition to bill-and-keep? If so, which consumers, and why, and are alternative voice services available to those consumers?

Access Arbitrage Concerns. The Commission has long fought against arbitrage of its access charge system. Most recently, the Commission adopted rules to combat the insertion of an internet Protocol Enabled Service (IPES) provider into the call flow to evade its access stimulation rules. The Commission has previously concluded that the transition to bill-and-keep will reduce arbitrage incentives. In the *USF/ICC Transformation Order*, the Commission found that bill-and-keep would reduce arbitrage opportunities by enabling rates to reflect the incremental cost of providing service, rather than average costs across the entire network. We tentatively conclude that the Commission's reasoning in the *USF/ICC Transformation Order* still applies and

we seek comment on this conclusion. However, we still seek comment on whether transitioning remaining access charges to bill-and-keep in the manner set out above could create incentives for providers to introduce unnecessary entities or charges into the call flow and increase charges during or after the transition. Have market-driven arrangements led to efficient practices? We request that commenters describe how arbitrage opportunities might arise after providers have completed the move of all remaining access charges to bill-and-keep. Similarly, what aspects of an all-IP network may be subject to abuse?

Potential Intercarrier Disputes. The Commission has observed that shifts in intercarrier compensation regimes can generate disputes over issues such as call routing and cost recovery. Disputes between carriers can delay completing the transition to bill-and-keep, impose unnecessary costs, and potentially deter bringing innovative calling services to consumers. We therefore seek comment on the nature of disputes likely to occur during and after the transition of remaining access charges to bill-and-keep. What types of disputes may occur (e.g., financial responsibility and build-out obligations, billing and collection disagreements, call routing disputes, and access arbitrage allegations) as carriers shift remaining access charges to bill-and-keep? What disputes currently exist with the exchange of IP traffic? What role should the Commission have, if any, in resolving disputes that might arise from completing the transition to bill-and-keep? Are there any aspects of an all-IP call flow that might benefit from Commission oversight in order to deter or eliminate such disputes or abuse?

Quality of Service Considerations. As the transition to IP-based networks continues, we recognize that transitioning remaining access charges to bill-and-keep may influence how providers approach standards of service quality and availability. While competitive forces may encourage providers to maintain and improve standards to attract and retain customers, we seek comment on if market forces alone are enough to ensure that consumers receive reliable and high-quality voice service. We seek comment on whether and, if so, how the Commission should consider additional oversight of service quality and availability standards for voice calls transmitted over IP networks. If the Commission were to adopt additional oversight, what aspects of service quality and availability should be subject to minimum standards (e.g., call

completion rates, reliability, latency, and accessibility)? What metrics or performance benchmarks would be appropriate to evaluate compliance with such standards? Are the Commission's current rules that prescribe service quality and availability standards adequate, or even necessary, for IP networks? We note that providers are currently required to comply with various service quality and availability standards. Does IP-based calling inherently provide the call quality that the Commission would otherwise require from providers, obviating the need for prescriptive standards? How have providers of voice calls over IP ensured service standards to date?

Additional Considerations. Are there any legacy networks, including critical infrastructure, that are being overlooked or would suffer from moving to bill-and-keep? If so, how and why? How will the transition to bill-and-keep impact providers' legacy 911 voice service and NG911 service and other critical government services? How will the transition to bill-and-keep affect rural LECs and smaller providers? How will the transition to bill-and-keep affect Centralized Equal Access (CEA) providers? How will the transition to bill-and-keep affect third-party tandem or intermediate providers? Are there carriers that may not want to convert their legacy networks to IP? If so, which carriers, and why? Are there any rules or regulations we should adopt, or other steps we should take with respect to particular groups of carriers that may be disparately impacted by the transition to bill-and-keep? If so, what are they, and why? Are there systems or resources that carriers believe are necessary to effectuate the transition? For example, is a database needed to help route calls to various providers' IP addresses? If so, how should the costs of operating that database be covered? Would it be appropriate to recover the costs of administering the database through a mechanism similar to that used for the North American Numbering Plan, such as contributions based on FCC Form 499-A filings. Should this database be combined with the 8YY database to improve efficiency of call routing?

We seek comment on whether the transition of all remaining access charges to bill-and-keep may result in any conflicts or inconsistencies with the Commission's existing rules or statutory obligations. In conjunction with any proposed revisions, we likewise seek comment on whether the Commission's rules may become unnecessary or outdated and should therefore be deleted, as we discuss below. For example, the Commission granted

incumbent LECs forbearance from equal access and dialing parity requirements for interexchange services, in part, because of “the trend toward all-distance voice services” and the decline in “demand for stand-alone long distance service for mass market or business customers” Although the Commission forbore from these requirements, it grandfathered end users that presubscribed to third-party long-distance services to retain equal access and dialing parity services because, at the time, there were “still a significant number of retail customers that presubscribe to a stand-alone long distance carrier.” Is this still the case? Following the shift of all remaining access charges to bill-and-keep, are equal access obligations still necessary in the voice services marketplace, and should the Commission sunset all remaining equal access and dialing parity obligations? The Commission has undertaken a sweeping review of all of its rules aimed at eliminating outdated rules and deregulating across multiple fronts to better serve the public and support technological progress.

Proposed Efficiency Measures

Sunseting Commission Rules in Light of Proposed Reforms

In this section, we seek comment on sunseting Commission rules that may be rendered unnecessary following the reforms we propose today. In particular, following the transition of intercarrier switched access and TACs to bill-and-keep, we propose to sunset the Commission’s existing rules imposing ex ante pricing regulation and tariffing requirements for those charges for price cap and rate-of-return carriers. We seek comment on these proposals, particularly in light of the Commission’s commitment to eliminate outdated and unnecessary regulations.

Sunseting Ex Ante Pricing and Tariffing Rules Applicable to Intercarrier Switched Access and TACs. After the transition to bill-and-keep, the Commission’s rules imposing ex ante pricing regulation and tariffing requirements on intercarrier switched access and TACs would appear to no longer be necessary. Specifically, we believe that §§ 51.915(e), 51.917(e), 69.111, 69.112, 69.115, 69.152, 69.153, and 69.157 of the Commission’s rules will no longer be necessary after the transition to bill-and-keep. We seek comment on this view. The intercarrier compensation system was originally “designed for an era of separate long-distance companies and high per-minute charges, and established long before competition emerged among

telephone companies.” Those conditions required a uniform system of pricing rules to govern the provision of interstate access services by incumbent LECs to ensure that rates were just and reasonable. But those conditions do not hold under a bill-and-keep regime in which carriers look to their subscribers, rather than other carriers, to recover the costs of their networks. Although we propose to sunset the rules imposing tariffing requirements and ex ante pricing regulation on access charges, carriers would still remain subject to the Commission’s regulatory authority and protections under sections 201, 202, and 208 of the Act.

Are there any reasons that these rules should or must be retained? If so, what are those reasons? Are there any rules that must be retained because, for example, they are tied to other parts of the Commission’s rules? Commenters should be detailed in identifying specific rules that should be retained with appropriate justification. We also invite comment on the appropriate timeframe under which to sunset these rules following the transition to bill-and-keep. Should the rules sunset immediately following the completion of the transition to bill-and-keep or should the Commission adopt a longer timeframe? Are there certain rules that cannot practically be sunset immediately following the transition to bill-and-keep? If so, what are those rules? Commenters should be detailed in identifying specific rules that may or must be retained and/or setting forth and justifying any alternative timeframes for sunseting the rules. We invite commenters to include suggested rule language they believe should be revised.

Sunseting Price Cap Ratemaking Rules. We seek comment on the continuing need for the Commission’s rules applicable to price cap carriers given our proposed reforms today. We do not propose to sunset rules applicable to business data services. The Commission is currently considering further deregulation and detariffing of business data services in separate proceedings. Following the transition of remaining access charges to bill-and-keep, are there specific rules currently applicable to price cap carriers that will no longer be necessary? For example, in connection with their annual tariff filings, price cap carriers are required to establish baskets of services, which include rate elements for end-user charges that we propose to deregulate and detariff today. And, § 61.43 of the Commission’s rules requires annual price cap filings that propose rates for the upcoming tariff year, among other

things. Given our proposals to move remaining access charges to bill-and-keep and deregulate and detariff end-user chargers, should we sunset these and other price cap ratemaking rules? Why or why not? Are there any rules that should or must be maintained? If so, what are they and why?

Other Rules or Statutory Provisions Affected by Our Proposed Reforms.

While we have identified certain Commission rules that may be rendered unnecessary if the Commission were to adopt the proposals in today’s Notice, we seek comment on other rules that the Commission should consider removing. In addition, we also seek comment on whether there are other statutory provisions in the Act for which forbearance might be appropriate given our proposals. Commenters are encouraged to be as specific as possible in identifying rules or statutory provisions that may be affected by the reforms we propose today.

Incorporating Relevant Proceedings

In this Notice of Proposed Rulemaking, we open a new docket—WC Docket No. 25–311, “Reforming Legacy Rules for an All-IP Future.” On July 3, 2025, the Commission established WC Docket No. 25–208, “Accelerating Network Modernization.” All filings made in response to the proposals and questions in this Notice of Proposed Rulemaking that address the Commission’s comprehensive reforms of Telephone Access Charges and intercarrier compensation rules should be filed in WC Docket Nos. 25–311 and 25–208. We also incorporate by reference comments filed in WC Docket Nos. 07–135, 10–90, 16–143, 18–155, 18–156, 20–71, 21–17, 25–209, 25–304, GN Docket Nos. 09–51 and 25–133, or CC Docket No. 01–92 that are responsive to the issues raised in this proceeding. Although we urge parties that previously made responsive filings in WC Docket Nos. 07–135, 10–90, 20–71, 18–155, 18–156, GN Docket Nos. 09–51 and 25–133, or CC Docket No. 01–92 to re-file in the new WC Docket No. 25–208, such filings will nevertheless be considered in this proceeding.

Many of the Commission’s ratemaking rules have been in place for decades, and some of the associated dockets have remained open just as long. While these dockets have historically remained open in case a ratemaking issue might arise, that possibility will no longer exist once all intercarrier charges transition to the bill-and-keep framework proposed in this Notice of Proposed Rulemaking. Even where Notices of Proposed Rulemaking remain pending in these dockets, the issues they raise will

become irrelevant in an all-IP, bill-and-keep environment. As part of our holistic, forward-looking effort to modernize legacy ratemaking, we propose that, once the reforms outlined in this proceeding reach their end state, the Commission will close all related dockets. To the extent these dockets contain open notices that remain unresolved, we propose to terminate them in favor of eliminating regulatory confusion and increasing simplicity. Maintaining parallel dockets on duplicative issues risks unnecessary delay, administrative burden, and confusion for filers. Consolidating into a single, forward-looking docket will simplify the commenting process and reduce administrative overhead. It will also encourage parties to engage with the issues raised in this Notice of Proposed Rulemaking with a fresh perspective. Specifically, we propose to terminate the following docketed proceedings: WC Docket Nos. 20–71 and 07–135. We seek comment on this proposal. Commenters should provide detailed arguments about why any of these dockets should remain open. Are there other dockets that we should consider closing?

The Commission periodically reviews all open dockets and identifies dockets that appear to be candidates for termination. In a dormant docket proceeding, the Commission closes dockets where no substantive filings have been made for several years or where no further action is required or anticipated. It also terminates as moot any pending petitions or other requests for relief. Should the Commission instead allow the dockets listed above to become dormant and address them through the existing dormant dockets process? If so, why? Are there other ways to accomplish the Commission's regulatory and docketing efficiency goals?

Petitions Rendered Moot by Proposed Reforms

We seek comment on the merits of dismissing certain filings requesting Commission action, such as waiver petitions or petitions for declaratory ruling, that have been open for many years and that may have been rendered moot or will be rendered moot by policy reforms that have occurred since their filing or that will be effectuated in an order following from this Notice of Proposed Rulemaking. Below, we propose to dismiss several waiver petitions related to access arbitration and call signaling. Are there other industry requests for Commission action that we should consider dismissing? If so, we ask that commenters provide detailed

information and justification for such requests.

Access Arbitration Petitions. In 2019, the Commission adopted rules to prevent or reduce access arbitration, including those focused on allegations of traffic pumping, inappropriate routing of calls, and billing disputes. Following those reforms, providers filed several waiver petitions seeking relief from the Commission's access stimulation rules. Three petitions remain pending. Given the passage of time and subsequent Commission actions clarifying and implementing its access stimulation rules, we tentatively conclude that these pending waiver petitions are outdated and now unnecessary. Accordingly, we propose to dismiss these petitions for waiver of the Commission's access stimulation rules. We seek comment on this proposal.

Call Signaling Petitions. Similarly, shortly after the rules in the *USF/ICC Transformation Order* became effective, numerous parties filed waiver petitions with the Commission claiming that compliance with the Commission's call signaling rules was technically infeasible. We tentatively conclude that these waiver petitions are moot as to their merits. Each of these petitions was filed more than a decade ago. In the intervening decade, we believe these providers have come into compliance with the Commission's call signaling rules, or the advent of and migration to all-IP networks has effectively made moot the issues these petitions raised. Accordingly, we propose to dismiss these petitions for waiver of the Commission's call signaling rules. We seek comment on this proposal. Are there any other outstanding petitions in the dockets related to this proceeding that commenters suggest we dismiss? If so, why?

Encouraging Industry Collaboration

The Commission is committed to thoughtfully completing the transition of all remaining access charges to a bill-and-keep framework and accelerating the broader shift to all-IP networks, taking into account the complexity of the issues presented, transition timelines, and connectivity goals. Stakeholders now have a clearer understanding of the Commission's long-term vision. However, we acknowledge that the proposals set forth in this *Notice* may not fully reflect the operational and competitive nuances known only to industry participants, or may inadvertently advantage some providers over others.

To explore possible operational and competitive challenges associated with

the transition to a bill-and-keep framework, should the Commission convene meetings with industry experts and stakeholders? The goal of such meetings would be to facilitate collaboration and provide an opportunity for all participants, including Commission staff, to examine the most significant issues carriers may face from the transition to bill-and-keep, including any issues involving interconnection requirements, intercarrier compensation, and USF support, and identify potential obstacles, share best practices, and develop potential solutions that promote a smooth and efficient transition to bill-and-keep and all-IP networks.

We invite stakeholders to collaborate on and submit a joint industry proposal that outlines the technical, legal, and economic frameworks necessary to achieve a fully deregulated and detariffed voice services marketplace—while preserving competition, fostering innovation, and protecting consumers. The Commission often requests and accepts industry-developed proposals on how to best develop telecommunications policy in the public interest. We also seek targeted recommendations for Commission actions that would facilitate a streamlined transition to an IP-based voice environment consistent with the public interest, while appropriately recognizing the challenges of the transition.

Indeed, industry participants have urged that “the Commission convene an industry working group to coordinate a process for completing the IP transition” and thereby “open critical lines of communication among all types and sizes of providers.” This Notice of Proposed Rulemaking and potential subsequent meetings would present opportunities for industry participants to establish open lines of communication and work collaboratively and thoughtfully toward a consensus on the path to all-IP networks. While the Commission may not directly participate in such negotiations, we strongly encourage all interested parties to engage in good-faith discussions aimed at resolving differences and advancing shared goals. We urge the industry to submit any resulting proposals in a timely manner to ensure Commission staff has adequate time to consider and incorporate them into a forthcoming order.

Benefits and Costs

We seek comment on the benefits and costs of these proposed rule changes, which we expect will facilitate the

transition to all-IP networks by significantly reducing regulatory requirements for carriers. We expect our proposed reforms will affect both voice providers and consumers of voice services. We seek comment on both the benefits and costs of each proposed rule change and also the totality of the rule changes proposed.

Carrier Benefits. We seek comment on the benefits of reducing the regulatory requirements for carriers, particularly in connection with ensuring a smooth transition to all-IP networks. What are the benefits of transitioning remaining intercarrier access charges to bill-and-keep and eliminating ex ante rate regulation and tariffing requirements for end-user access charges? What are the benefits of the proposal to eliminate the remaining long distance, including international interexchange, service regulations? Beyond the reduction in time and monetary costs associated, how will carriers benefit from the elimination of current filing costs, including fees, preparation and document retention costs, associated with tariffs and the other regulations the Commission proposes to eliminate? Are there any additional compliance related costs that will be reduced due to these proposed rule changes? What are the expected reductions in administrative costs to the industry of eliminating the requirements for carriers to keep records and to prepare supporting documents to meet compliance obligations? What administrative costs will carriers avoid by no longer needing to monitor other carriers' tariff filings and contest them when necessary? Additionally, are there any benefits attributable to a reduction of arbitrage opportunities that may result from the proposed rule changes? What specific benefits might voice service providers that compete with incumbent LECs realize as a result of the proposed reforms?

Consumer Benefits. We also seek comment on the consumer benefits of the proposed rule changes. Are there any benefits that customers may experience from the proposed rule changes? Will consumers benefit from any operational or economic efficiencies that carriers should be positioned to realize as a result of the proposed rule changes? Will consumers benefit from more competition or service offerings? Should consumers expect to observe lower prices for services, and if so, will the benefits of the proposed rule changes vary by type of service? Will the proposed rule changes accelerate the IP transition, and if so, how will this benefit consumers? For example, will the proposed rules accelerate the adoption of certain public safety and

consumer protection technologies, such as NG911 and STIR/SHAKEN? If so, are there unique costs of this adoption that would disproportionately impact small providers? Are there any benefits that consumers may expect in the long term that may not appear during a transition period?

Carrier Costs. While the proposed rule changes are likely to reduce regulatory requirements, we seek comment on the possibility of temporary increases in compliance costs as the industry adjusts and transitions to the bill-and-keep end state as proposed. What temporary compliance costs might carriers face? Are there any costs associated with updating billing systems and existing contracts that may be necessary to comply with the proposed rule changes? Will there be additional costs associated with intercarrier disputes and dispute resolution during the transition period? Are there likely to be costs associated with negotiating agreements with intermediate carriers for the transport of traffic from the tandem switch to the network edge? If so, what are they?

Separately, we also seek comment on whether carriers expect some costs associated with the implementation of these proposed rules to persist beyond the transition period. We remind providers that although we contemplate the transition to all-IP networks, providers would still be permitted to interconnect in TDM as a contractual matter. The Commission's ultimate decision regarding the definition and location of the network edge may also impact costs for some carriers, particularly transport costs. We seek comment on how different approaches to defining the network edge may affect the allocation of costs and benefits across carriers. Are there any additional costs of having the states establish a network edge for the transition period? Would the proposals to establish a single point of interconnection for TDM and VoIP traffic or regional meet points on the existing IP-network within a state's borders impose new costs on carriers? If so, how? Will any new proposed administrative requirements impose additional costs on carriers that are not offset by the removal of past rules? What is the likelihood that some carriers may choose to discontinue offering voice services or change voice offerings as a result of the proposed rule changes? What is the projected likelihood of industry consolidation, and what are the expected costs and benefits—both economic and operational—associated with such consolidation?

Consumer Costs. The proposed rule changes may have transitional and long-

term impacts on consumers. On balance, will consumers face increased costs or other nonmonetary burdens as a result of the proposed rule changes? If so, please explain fully. What market effects or additional costs, if any, would be imposed on end users if some end users choose to discontinue their existing wireline voice service in response to rate changes or changes to offerings? What share of those customers are likely to take advantage of voice service offered via wireless or other IP-based voice providers? How do rates for mobile voice and VoIP-based services compare to current rates for traditional PSTN service? What upfront expenses or logistical hurdles, such as sign-up fees or equipment requirements, do consumers face when transitioning to alternative voice services? What should consumers expect from the long-term effects of the proposed rule changes and the costs they face for continuing to use switched access voice calling service?

IP Transition. The ultimate goal of the proposed reforms in this *Notice*, along with related Notices addressing the IP transition, is to encourage carriers to migrate to fully IP-based networks. Such a transition may introduce additional costs and benefits. Should we consider the potential costs and benefits of this transition to all-IP when evaluating the merits of the proposed rules? If so, how should we measure the impact, given that some carriers may have already transitioned to all-IP networks absent the proposed rule changes? If carriers have already transitioned to a fully IP-based network, we seek comment on their experiences including any benefits they realized over maintaining legacy TDM networks. What would be the potential benefits, to carriers and customers, of carriers transitioning their network to fully IP-based networks? What would be the costs to carriers to move to IP-based networks? Will customers face increased prices or other costs as a result of a carrier's decision to move to IP-based networks? Or, will the efficiency expected from all-IP networks result in lower costs and greater choice for consumers?

USF Impact. The proposed phase down of CAF ICC support and rule changes to CAF BLS will impact USF expenditures. We seek comment on whether these direct reductions in USF expenditures should be considered a benefit. To what extent will these savings translate into lower contribution burdens or improved sustainability of the Fund? We also seek comment on whether any of the proposed rule changes may result in temporary increased USF expenditures. What may this increase be and should the potential

increase in USF expenditures be considered a cost to the broader base of contributors to the fund? Finally, are there systemic risks or unintended consequences related to the financial stability of impacted carriers that the Commission should consider in evaluating the overall impact of the proposed reforms?

Legal Authority

In this section, we seek comment on our legal authority to implement the proposals in this *Notice* to comprehensively reform our treatment of access charges, end-user charges, and tariffing requirements.

Sections 251(b)(5) and 201(b). Consistent with precedent, we propose to rely on sections 251(b)(5) and 201(b) of the Act to transition all remaining interstate and intrastate access charges, whether originating or terminating, to bill-and-keep. The Commission has recognized that its “statutory authority to implement bill-and-keep as the default framework for the exchange of traffic with LECs flows directly from sections 251(b)(5) and 201(b) of the Act.” Section 251(b)(5) states that LECs have a “duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications.” In the *USF/ICC Transformation Order*, the Commission “brought all traffic within the section 251(b)(5) regime,” including access traffic. Doing so, the Commission explained, “is key to advancing [the Commission’s] goals of eliminating the thicket of disparate intercarrier compensation rates and payments that are ultimately borne by consumers.” In addition to providing the substantive authority for various rules and requirements, the Supreme Court in *AT&T Corp. v. Iowa Utilities Board*, held that “the grant in § 201(b) means what it says: The FCC has rulemaking authority to carry out the ‘provisions of this Act,’ which include §§ 251 and 252.” Thus, we intend to rely on sections 251(b) and 201(b) to implement changes to the pricing methodology governing the exchange of traffic with LECs. We seek comment on this proposal.

This statutory authority also allows us to establish a transition plan, as proposed, to bring remaining interstate and intrastate access charges to bill-and-keep. Indeed, the Commission’s pre-existing regimes for establishing reciprocal compensation rates for section 251(b)(5) traffic have been upheld as lawful and, as the U.S. Court of Appeals for the D.C. Circuit has recognized, “[w]hen necessary to avoid excessively burdening carriers, the

gradual implementation of new rates and policies is a standard tool of the Commission,” and a transition “may certainly be accomplished gradually to permit the affected carriers, subscribers and state regulators to adjust to the new pricing system, thus preserving the efficient operation of the interstate telephone network during the interim.”

We also intend to rely on our section 201(b) authority to eliminate ex ante pricing regulation of end-user Telephone Access Charges. Section 201(b) of the Act specifies that “[a]ll charges, practices, classifications, and regulations for and in connection with such communication service, shall be just and reasonable, and any such charge, practice, classification, or regulation that is unjust or unreasonable is declared to be unlawful.” It also allows the Commission to “prescribe such rules and regulations as may be necessary in the public interest to carry out the provisions of this chapter.” This authority necessarily includes the authority to opt not to regulate—or to deregulate—carriers’ interstate rates if such regulation is no longer necessary and thus, deregulation is in the public interest. Even if we eliminate our current pricing regulations, any violations of the reasonableness and nondiscrimination requirements of sections 201 and 202 of the Act could be addressed through the complaint process under section 208 of the Act. We seek comment on this analysis.

Forbearance Authority. We intend to rely on our authority under section 10 of the Act to forbear from the application of section 203 tariffing requirements and any associated regulations to the extent necessary to detariff all access charges, including for international interexchange services and end-user TACs, on a mandatory basis. An integral element of the “pro-competitive, de-regulatory national policy framework” adopted in the 1996 Act is the Commission’s forbearance authority under section 10. Section 10 of the Act, as amended by the 1996 Act, requires the Commission to forbear from applying the Act or its rules to a telecommunications carrier or a telecommunications service if the Commission determines that: (1) enforcement “is not necessary to ensure that the charges, practices, classifications, or regulations . . . are just and reasonable and are not unjustly or unreasonably discriminatory,” (2) enforcement “is not necessary for the protection of consumers,” and (3) “forbearance from applying such provision or regulation is consistent with the public interest.” In making the public interest determination, the

Commission must also consider, pursuant to section 10(b) of the Act, “whether forbearance from enforcing the provision or regulation will promote competitive market conditions.” Forbearance is required only if all three criteria are satisfied. The Commission has previously relied on its forbearance authority to detariff and deregulate interstate services. We seek comment on whether the forbearance criteria are met with respect to mandatory detariffing of access charges, including TACs, and interexchange service charges.

Relatedly, we tentatively conclude that we need not adopt or apply a formal market-power analysis or conclude that incumbent LECs are nondominant in the provision of switched access services before we can find that forbearance from access charge regulation is justified. We seek comment on this tentative conclusion. The Commission has previously determined that incumbent LECs possess market power (and are thus dominant) in the provision of originating and terminating switched access services. However, the Commission’s objective in making such a determination has not been to preserve any particular technology but to ensure that end users have access to voice services at just and reasonable rates, consistent with our statutory obligation. And, in the context of its forbearance analysis, the Commission has adopted a flexible approach in evaluating whether the forbearance criteria are met. We also note that the D.C. Circuit has held that “[o]n its face” section 10 “imposes no particular mode of market analysis or level of geographic rigor,” but “allow[s] the forbearance analysis to vary depending on the circumstances.” We therefore tentatively conclude that we need not adopt or apply a formal market power analysis or find that the entities being granted forbearance are nondominant before we can exercise our forbearance authority. We seek comment on these issues.

Preemption. To the extent there are states that authorize or require carriers to assess intrastate access or end-user charges and thereby undermine the goals of this reform, should we consider preempting such laws or regulations on the basis that such laws or regulations conflict with the regulatory objectives of this proceeding? In general, the Commission is precluded from entering the field of intrastate communication service by section 152(b) of the Act. But, the Commission may preempt state law in certain circumstances, including where state regulation “negates a valid federal policy.” The Supreme Court has explained that “[e]ven where Congress has not completely displaced state

regulation in a specific area, state law is nullified to the extent that it actually conflicts with federal law.” Such a conflict can arise when a law “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” While there are no “precise guidelines” governing when state law creates such an obstacle, the Supreme Court has acknowledged that federal agencies “have a unique understanding of the statutes they administer and an attendant ability to make informed determinations about how state requirements may pose” such an obstacle. Additionally, the Supreme Court has found that the inquiry into whether state law poses an obstacle sufficient to allow preemption requires consideration of “the relationship between state and federal laws as they are interpreted and applied, not merely as they are written.” One situation in which the Supreme Court has determined that state law can interfere with federal goals is when such a law is at odds with Congress’s intent to create a uniform system of federal regulation.

Furthermore, a federal agency acting within the scope of its authority may preempt state law. When federal regulation is said to preempt state law, the key issue is not whether Congress explicitly intended to override state authority, but whether the regulation itself has the force to displace state law. In other words, the relevant question is whether Congress has delegated the authority to act in a sphere, and whether the agency has exercised that authority in a manner that preempts state law. The Supreme Court also has explained that “an ‘assumption’ of nonpreemption [sic] is not triggered when the State regulates in an area where there has been a history of significant federal presence.”

The Commission undoubtedly has authority under section 201(b) to ensure that rates and charges for and in connection with interstate and international telecommunications services are just and reasonable. And the Commission’s regulation of those services involves an area that has long been subject to extensive federal regulation. Since the original enactment of the Act, section 2(a) has made clear that the Act applies to “all interstate and foreign communication by wire or radio,” and section 201(b) has directed the Commission to ensure that rates and charges for or in connection with interstate and foreign communication services are just and reasonable. We thus propose to find that section 201(b) provides us with authority to preempt state laws and regulations allowing or

requiring carriers to assess access or end-user charges in connection with intrastate services. We seek comment on this analysis. Do state laws that may require or allow carriers to assess access or end-user charges conflict with the deregulatory objectives we propose today? Why or why not? We also invite comment on the extent to which preemption is relevant to the transition to all-IP networks. We propose to find that a failure to preempt state laws that may require or allow carriers to assess access or end-user charges would only further incentivize carriers to retain TDM-based networks, contrary to the goals of these proceedings. Do commenters agree with this analysis? Why or why not?

We also invite comment on our preemption authority with respect to intrastate access charges pursuant to section 251(d)(3) of the Act. Section 251(d)(3) provides that in prescribing and enforcing regulations to implement section 251, which establishes interconnection obligations, the Commission “shall not preclude the enforcement of any regulation, order, or policy of a state commission that (A) establishes access and interconnection obligations of local exchange carriers; (B) is consistent with the requirements of this section; and (C) does not substantially prevent implementation of the requirements of this section and the purposes of this part.” The Commission has observed that “section 251(d)(3) of the Act independently establishes a standard very similar to the judicial conflict preemption doctrine,” and “[i]ts protections do *not* apply when the state regulation is inconsistent with the requirements of section 251, *or* when the state regulation substantially prevents implementation of the requirements of section 251 or the purposes of sections 251 through 261 of the Act.” In the *USF/ICC Transformation Order*, the Commission found that “to the extent section 251(d)(3) applies . . . it does not prevent [the Commission] from adopting rules to implement the provisions of section 251(b)(5) and applying those rules to traffic traditionally classified as intrastate access.” The U.S. Court of Appeals for the Tenth Circuit noted that section 251(d)(3) “preserves state regulations only if they would not substantially prevent implementation of § 251.” The court also held that the Commission’s conclusion in the *USF/ICC Transformation Order* that intrastate access charges are obstacles to reform was “enough for the FCC to exercise its authority to preempt intrastate access charges under

§ 251(d)(3).” We seek comment on our authority to preempt intrastate access charges pursuant to section 251(d)(3). The Commission has stated that while “the judicial conflict preemption doctrine is ‘similar to’ the authority provided by section 251(d)(3),” section 251(d)(3) “may grant the Commission broader preemption authority than the judicial doctrine.” Do commenters agree? Why or why not?

We also seek comment on the Commission’s authority to preempt the states in defining the network edge following the transition to bill-and-keep. The Tenth Circuit has concluded that under section 252(d)(2) of the Act, “states continue to enjoy authority to arbitrate ‘terms and conditions’ in reciprocal compensation.” And “[e]ven under bill-and-keep arrangements, states must arbitrate the ‘edge’ of carrier’s networks.” Given this precedent, what is the extent of the Commission’s authority to preempt states in defining the network edge? We invite comment on this and any other preemption issues that may be triggered by the actions we propose today.

Section 254. Finally, we intend to use our authority under section 254 of the Act to make any changes necessary to ensure that we minimize any adverse impact of our proposed reforms on universal service contributions and support. Section 254(d) requires telecommunications carriers that provide interstate telecommunications services to “contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service.” Section 254(d) also provides our authority to require other providers of interstate telecommunications “to contribute to the preservation and advancement of universal service if the public interest so requires.” Section 254(e) specifies that only Eligible Telecommunications Carriers designated under section 214(e) of the Act shall be eligible to receive universal service support, and that “such support should be explicit and sufficient to achieve the purposes” of section 254 of the Act. Together, these statutory provisions provide the Commission authority to revise our rules consistent with these requirements and adopt the proposals relating to universal service. We invite comment on this use of our section 254 authority.

Similarly, we intend to use our authority under sections 225, 251 and 715 of the Act to make any changes necessary to ensure that we minimize any adverse impact of our proposed reforms on the TRS Fund, Local Number

Portability Administration, and North America Numbering Plan Administration. Sections 225 and 715 provide the Commission authority to prescribe contributions to TRS from “all subscribers for every telecommunications service” and from interconnected and non-interconnected VoIP service providers. Section 251(e)(2) provides that the “cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission.” We seek comment on our authority under sections 225, 251, and 715 of the Act to minimize any adverse impacts of our proposed reforms on these programs.

Initial Regulatory Flexibility Analysis

As required by the Regulatory Flexibility Act of 1980, as amended (RFA), the Federal Communications Commission (Commission) has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the policies and rules proposed in the Notice of Proposed Rulemaking (NPRM) assessing the possible significant economic impact on small entities. The Commission requests written public comments on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments specified on the first page of the Notice of Proposed Rulemaking. The Commission will send a copy of the NPRM, including this IRFA, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy. In addition, the Notice and IRFA (or summaries thereof) will be published in the **Federal Register**.

Need for, and Objectives of, the Proposed Rules

The NPRM seeks to accelerate Internet Protocol (IP) network deployment and modernization by proposing comprehensive reform of the regulatory frameworks for intercarrier compensation, Connect America Fund Intercarrier Compensation (CAF ICC), interexchange services, and end-user charges. To encourage providers to transition all voice telecommunications from Time Division Multiplexing (TDM) to IP networks, the NPRM proposes to move remaining intercarrier

compensation charges to a bill-and-keep framework, including the detariffing of access charges. After carriers transition remaining access charges to bill-and-keep, the Notice seeks comment on gradually phasing out CAF ICC. The NPRM also seeks comment on the removal of remaining regulatory obligations for interstate and international interexchange services, given the longstanding competitiveness of these markets. To enable carriers to recover costs from their end users, the NPRM proposes to eliminate ex ante regulation and tariffing of end-user charges (also referred as Telephone Access Charges). Finally, the NPRM seeks comment on the elimination of regulations that will no longer be necessary in a post-TDM environment and invites input on a transitional framework to ensure regulatory and market stability during the shift to a fully IP-based voice services landscape. The elimination and reform of these frameworks would create a stronger financial motivation for carriers to upgrade their networks and complete the transition to IP as soon as practicable. This shift will not only promote technological modernization but also enhance long-term efficiency, competition, and service quality for consumers.

Legal Basis

The proposed action is authorized pursuant to sections 1, 4(i)–(j), 10, 201–206, 214, 218–220, 225, 251–254, 403 of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. 151, 152, 154(i)–(j), 160, 201–206, 214, 218–220, 225, 251–254, 403, 1302, and §§ 1.1 and 1.1421 of the Commission’s rules, 47 CFR 1.1, 1.421.

Description and Estimate of the Number of Small Entities to Which the Proposed Rules Will Apply

The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted. The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.” In addition, the term “small business” has the same meaning as the term

“small business concern” under the Small Business Act (SBA). A “small business concern” is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the SBA. The SBA establishes small business size standards that agencies are required to use when promulgating regulations relating to small businesses; agencies may establish alternative size standards for use in such programs, but must consult and obtain approval from SBA before doing so.

Our actions, over time, may affect small entities that are not easily categorized at present. We therefore describe three broad groups of small entities that could be directly affected by our actions. In general, a small business is an independent business having fewer than 500 employees. These types of small businesses represent 99.9% of all businesses in the United States, which translates to 34.75 million businesses. Next, “small organizations” are not-for-profit enterprises that are independently owned and operated and not dominant their field. While we do not have data regarding the number of non-profits that meet that criteria, over 99 percent of nonprofits have fewer than 500 employees. Finally, “small governmental jurisdictions” are defined as cities, counties, towns, townships, villages, school districts, or special districts with populations of less than fifty thousand. Based on the 2022 U.S. Census of Governments data, we estimate that at least 48,724 out of 90,835 local government jurisdictions have a population of less than 50,000.

The rules proposed in the NPRM will apply to small entities in the industries identified in the chart below by their six-digit North American Industry Classification System (NAICS) codes and corresponding SBA size standard. Based on currently available U.S. Census data regarding the estimated number of small firms in each identified industry, we conclude that the proposed rules will impact a substantial number of small entities. Where available, we also provide additional information regarding the number of potentially affected entities in the industries identified below.

TABLE 1—2022 U.S. CENSUS BUREAU DATA BY NAICS CODE

Regulated industry (footnotes specify potentially affected entities within a regulated industry where applicable)	NAICS code	SBA size standard	Total firms	Total small firms	% Small firms
Wired Telecommunications Carriers	517111	1,500 employees	3,403	3,027	88.95

TABLE 1—2022 U.S. CENSUS BUREAU DATA BY NAICS CODE—Continued

Regulated industry (footnotes specify potentially affected entities within a regulated industry where applicable)	NAICS code	SBA size standard	Total firms	Total small firms	% Small firms
Wireless Telecommunications Carriers (except Satellite).	517112	1,500 employees	1,184	1,081	91.30
All Other Telecommunications	517810	\$40 million	1,673	1,007	60.19

TABLE 2—TELECOMMUNICATIONS SERVICE PROVIDER DATA

2024 Universal Service monitoring report telecommunications service provider data (data as of December 2023)	SBA size standard (1,500 employees)		
	Affected entity	Total # FCC form 499A filers	Small firms
Cable/Coax CLEC	67	62	92.54
CAP/CLEC	655	562	85.80
Competitive Local Exchange Carriers (CLECs)	3,729	3,576	95.90
Incumbent Local Exchange Carriers (Incumbent LECs)	1,175	917	78.04
Interexchange Carriers (IXCs)	113	95	84.07
Local Exchange Carriers (LECs)	4,904	4,493	91.62
Operator Service Providers (OSPs)	22	22	100
Other Toll Carriers	74	71	95.95
Wired Telecommunications Carriers	4,682	4,276	91.33
Wireless Telecommunications Carriers (except Satellite)	585	498	85.13

Description of Economic Impact and Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

The RFA directs agencies to describe the economic impact of proposed rules on small entities, as well as projected reporting, recordkeeping and other compliance requirements, including an estimate of the classes of small entities which will be subject to the requirements and the type of professional skills necessary for preparation of the report or record.

In the NPRM, the Commission seeks comment on proposals that, if adopted, would reduce reporting, recordkeeping, and other compliance requirements, as small and other carriers would then be subject to fewer regulatory burdens. We first propose to transition all remaining intercarrier compensation charges, both originating and terminating, for carriers of all types to bill-and-keep. To enable carriers to recover their costs directly from end users, we propose to eliminate ex ante pricing regulation for end-user charges and mandatorily detariff these charges nationwide for all carriers. After carriers transition remaining switched access charges to bill-and-keep, the NPRM seeks comment on a gradual phase out of CAF ICC, particularly on how and when this should occur to ensure carriers' continued financial viability. We propose to forbear from tariffing requirements for the remaining domestic and international long-distance telecommunications services.

Finally, in the NPRM we seek comment on the costs and benefits of these proposals and whether small carriers face specific challenges resulting from transitioning remaining access charges to bill-and-keep.

We expect that the proposals in the NPRM will decrease regulatory burdens on small and other carriers, and also free up resources for use in development and deployment of IP networks. The reforms, if adopted, would reduce costs of reporting and recordkeeping requirements for carriers operating legacy networks. For example, nondominant interexchange carriers would no longer need to maintain, for submission to the Commission and to state regulatory commissions upon request, price and service information regarding all of the carrier's international and interstate, domestic, interexchange service offerings.

Commenters in related proceedings have explained that costs associated with maintaining TDM networks have been rising and that transitioning to fully IP networks offers cost and service efficiencies. In this proceeding, we seek comment on the costs and benefits of the proposed rule changes, which promote the transition to IP, to better understand the impact on small and other carriers. For instance, although we do not expect carriers to need to hire additional professionals to comply with the proposals herein, we request comments on any potential burdens or costs small entities may incur in

connection with these requirements, including whether they would require support to implement the proposed reforms. Furthermore, the Commission seeks comment on engaging in meetings with experts and stakeholders to provide an opportunity for all participants to give input on the most significant issues they may face.

Discussion of Significant Alternatives Considered That Minimize the Significant Economic Impact on Small Entities

The RFA directs agencies to provide a description of any significant alternatives to the proposed rules that would accomplish the stated objectives of applicable statutes, and minimize any significant economic impact on small entities. The discussion is required to include alternatives such as: “(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities.”

In the NPRM, we seek comment on proposals and alternatives that we expect will minimize any significant economic impact of the proposed rules on small entities. Specifically, we invite comment on alternative approaches for

transitioning remaining terminating access charges to bill-and-keep, in parallel with originating access charges, in ways that reduce administrative burdens. In seeking comment on phasing out CAF ICC, we seek comment on alternative timelines and, generally, on whether any additional support may be needed to cover one-time costs associated with upgrading networks to IP-based technology, particularly for rate-of-return carriers which typically are smaller entities. We also seek comment on regulatory approaches that would mitigate concerns over cost shifting and arbitrage opportunities which might arise during the transition. The Commission will fully consider the economic impact on small entities as it evaluates the comments filed in response to the NPRM, including comments related to the costs and benefits of these proposed rules. Alternative proposals and approaches from commenters will further develop the record and could help the Commission further minimize the economic impact on small entities. The Commission's evaluation of the comments filed in this proceeding will shape the final actions it ultimately takes to minimize the economic impact of any final rules on small entities.

Federal Rules That May Duplicate, Overlap, or Conflict With the Proposed Rules

None.

Initial Regulatory Impact Analysis

The NPRM seeks comment on a number of potential regulatory changes that would complete the transition of the current, calling-party-pays intercarrier compensation (ICC) regime to a bill-and-keep framework; these changes, if adopted, would remove artificial incentives of carriers to preserve outdated legacy systems. The principal potential changes include: (1) capping and then phasing down and eliminating originating and terminating intrastate and interstate access charges; (2) detariffing access charges and interstate and remaining domestic interstate and international long-distance interexchange services that remain subject to tariffing requirements; and (3) phasing out the current CAF ICC support program.

With respect to (1), this change, if adopted, would shift responsibility for the cost of completing a call (*i.e.*, from the calling party's network to the called party's network) and would result in a transfer of as much as \$802 million per year (based on 2023 data).

Potential change (2), if adopted, would yield administrative cost savings

to carriers from not having to file tariffs of around \$4.7 million. With respect to (3), phasing down CAF ICC over two years, if adopted would result in a potential total decline in USF expenditures of as much as \$346 million, which was the total CAF ICC support distributed in 2024. This in turn would reduce the USF contribution factor from 37.6% to 35.4% of interstate and international end-user telecommunications revenues.

Ordering Clauses

Accordingly, *it is ordered*, pursuant to sections 1, 4(i)–(j), 10, 201–206, 214, 218–220, 225, 251–254., 403, of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. 151, 152, 154(i)–(j), 160, 201–206, 214, 218–220, 225, 251–254, 403, 1302, and §§ 1.1 and 1.1421 of the Commission's rules, 47 CFR 1.1, 1.421, this Notice of Proposed Rulemaking *is adopted*.

It is further ordered that, pursuant to applicable procedures set forth in §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments on this Notice of Proposed Rulemaking on or before 60 days after publication in the **Federal Register**, and reply comments on or before 90 days after publication in the **Federal Register**.

It is further ordered that the Commission's Office of the Secretary, *shall send* a copy of this Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

List of Subjects in 47 CFR Parts 43, 51, 54, 61, 64, and 69

Communications, Communications common carriers, Reporting and recordkeeping requirements, Telecommunications, Telephone.

Federal Communications Commission.

Marlene Dortch,
Secretary.

Proposed Rules

For the reasons discussed in the preamble, the Federal Communications Commission proposes to amend 47 CFR parts 43, 51, 54, 61, 64, and 69 as follows:

PART 43—REPORTS OF COMMUNICATION COMMON CARRIERS, PROVIDERS OF INTERNATIONAL SERVICES AND CERTAIN AFFILIATES

■ 1. The authority citation for part 43 continues to read as follows:

Authority: 47 U.S.C. 35–39, 154, 211, 219, 220; sec. 402(b)(2)(B), (c), Pub. L. 104–104, 110 Stat. 129.

■ 2. Amend § 43.51 by revising paragraph (b) to read as follows:

§ 43.51 Contracts and concessions.

* * * * *

(b) A carrier that is engaged in domestic communications and has not been classified as non-dominant pursuant to § 61.3 of this Chapter must comply with the requirements of paragraph (a) of this section.

* * * * *

PART 51—INTERCONNECTION

■ 3. The authority citation for part 51 continues to read as follows:

Authority: 47 U.S.C. 151–55, 201–05, 207–09, 218, 225–27, 251–52, 271, 332, unless otherwise noted.

■ 4. Amend § 51.907 by adding paragraph (l) to read as follows:

§ 51.907 Transition of price cap carrier access charges.

* * * * *

(l) Transition of Remaining Switched Access Charges.

(1) As of [EFFECTIVE DATE OF COMMISSION ORDER ADOPTING REFORMS], each Price Cap Carrier shall cap all intrastate and interstate switched access service rates not yet capped. This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

(2) *Step 1.* Beginning [July 1, XXXX], and notwithstanding any other provision of the Commission's rules, each Price Cap Carrier shall reduce all intrastate and interstate switched access service rates not yet transitioned to bill-and-keep to sixty-six percent (66%) of the amount of such charges in paragraph (l)(1). This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

(3) *Step 2.* Beginning [July 1, XXXX], and notwithstanding any other provision of the Commission's rules, each Price Cap Carrier shall reduce all intrastate and interstate switched access service rates not yet transitioned to bill-and-keep to thirty-three percent (33%) of the amount of such charges in paragraph (l)(1). This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

(4) *Step 3.* Beginning [July 1, XXXX], and notwithstanding any other provision of the Commission's rules,

each Price Cap Carrier shall reduce all intrastate and interstate switched access service rates not yet transitioned to bill-and-keep to bill-and-keep. This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

■ 5. Amend § 51.909 by adding paragraph (p) to read as follows:

§ 51.909 Transition of rate-of-return carrier access charges.

* * * * *

(p) Transition of Remaining Access Charges.

(1) As of [EFFECTIVE DATE OF COMMISSION ORDER ADOPTING REFORMS], each Rate-of-Return Carrier shall cap all intrastate and interstate switched access service rates not yet capped. This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

(2) *Step 1.* Beginning [July 1, XXXX], and notwithstanding any other provision of the Commission's rules, each Rate-of-Return Carrier shall reduce all intrastate and interstate switched access service rates not yet transitioned to bill-and-keep to sixty-six percent (66%) of the amount of such charges in paragraph (p)(1). This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

(3) *Step 2.* Beginning [July 1, XXXX], and notwithstanding any other provision of the Commission's rules, each Rate-of-Return Carrier shall reduce all intrastate and interstate switched access service rates not yet transitioned to bill-and-keep to thirty-three percent (33%) of the amount of such charges in paragraph (p)(1). This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

(4) *Step 3.* Beginning [July 1, XXXX], and notwithstanding any other provision of the Commission's rules, each Rate-of-Return Carrier shall reduce all intrastate and interstate switched access service rates not yet transitioned to bill-and-keep to bill-and-keep. This includes all charges associated with switched access rate elements specified in Part 69, as well as any functionally equivalent intrastate rate elements.

■ 6. Amend § 51.915 by adding paragraph (e)(6) to read as follows:

§ 51.915 Recovery mechanism for price cap carriers.

* * * * *

(e) * * *

(6) Detariffing of Price Cap Carriers' Access Recovery Charge. As set forth in § 61.27 of this chapter, all Price Cap Carriers must detariff their Access Recovery Charges as of [DATE].

■ 7. Amend § 51.917 by adding paragraphs (e)(7) and (f)(6) to read as follows:

§ 51.917 Recovery mechanism for Rate-of-Return Carriers.

* * * * *

(e) * * *

(7) As set forth in § 61.27 of this chapter, all Rate-of-Return carriers must detariff their Access Recovery Charges as of [DATE].

(f) * * *

(6) CAF ICC transition for rate-of-return carriers.

(i) Effective June 30, [YEAR IN WHICH THE TRANSITION TO BILL-AND-KEEP IS COMPLETED], all CAF ICC calculations required by this section shall cease to be performed.

(ii) Beginning July 1, [YEAR THAT BEGINS THE TARIFF YEAR IMMEDIATELY FOLLOWING THE ONE IN WHICH THE TRANSITION TO BILL-AND-KEEP IS COMPLETED], a Rate-of-Return Carrier may receive no more than sixty-six percent (66%) of the amount of CAF ICC support it received in the [TARIFF YEAR IN WHICH THE TRANSITION TO BILL-AND-KEEP IS COMPLETED].

(iii) Beginning July 1, [YEAR THAT BEGINS THE SECOND TARIFF YEAR I FOLLOWING THE ONE IN WHICH THE TRANSITION TO BILL-AND-KEEP IS COMPLETED], a Rate-of-Return Carrier may receive no more than thirty-three percent (33%) of the amount of CAF ICC support it received in the [TARIFF YEAR IN WHICH THE TRANSITION TO BILL-AND-KEEP IS COMPLETED].

(iv) Beginning July 1, [YEAR THAT BEGINS THE THIRD TARIFF YEAR FOLLOWING THE ONE IN WHICH THE TRANSITION TO BILL-AND-KEEP IS COMPLETED], a Rate-of-Return Carrier may no longer receive CAF ICC support.

PART 54—UNIVERSAL SERVICE

■ 8. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 151, 154(i), 155, 201, 205, 214, 219, 220, 229, 254, 303(r), 403, 1004, 1302, 1601–1609, and 1752 unless otherwise noted.

■ 9. Amend § 54.901 by revising paragraph (a) and adding paragraph (h) to read as follows:

§ 54.901 Calculation of Connect America Fund Broadband Loop Support.

(a) Subject to the requirements of paragraph (h) of this section, Connect

America Fund Broadband Loop Support (CAF BLS) available to a rate-of-return carrier shall equal the Interstate Common Line Revenue Requirement per Study Area, plus the Consumer Broadband-Only Revenue Requirement per Study Area as calculated in accordance with part 69 of this chapter, minus:

* * * * *

(h) In calculating support pursuant to paragraph (a), if a rate-of-return carrier is subject to detariffing pursuant to § 61.27 of this chapter, the values for paragraphs (a)(1) and (a)(4) shall be as follows:

(1) The study area revenues obtained from end user common line charges shall be set at \$6.50 per line per month for residential and single-line business lines and \$9.20 per line per month for multiline business lines;

(2) any line port costs in excess of basic analog service as described in § 69.130 of this chapter being assessed on [EFFECTIVE DATE OF COMMISSION ORDER ADOPTING REFORMS].

PART 61—TARIFFS

■ 10. The authority citation for part 61 continues to read as follows:

Authority: 47 U.S.C. 151, 154(i), 154(j), 201–205, 403, unless otherwise noted.

■ 11. Revise § 61.19 to read as follows:

§ 61.19 Detariffing of international and interstate, domestic interexchange services.

Carriers shall not file tariffs for the provision of international and interstate domestic interexchange services.

■ 12. Amend § 61.26 by adding paragraph (h) to read as follows:

§ 61.26 Tariffing of competitive interstate switched exchange access services.

* * * * *

(h) Within 15 days of the effective date that the competing ILEC detariffs its switched access charges effective July 1 [YEAR THAT IS LAST YEAR OF THE TRANSITION], a competitive local exchange carrier must detariff all interstate switched access charges. This includes all charges for switched access rate elements specified in Part 69, or the functional equivalents.

■ 13. Add § 61.27 to subpart C to read as follows:

§ 61.27 Detariffing of intercarrier and end-user access charges.

(a) An incumbent local exchange carrier as defined in § 51.5 of this chapter shall detariff all of the interstate and intrastate switched access carrier-to-carrier charges moved to bill-and-

keep in §§ 51.907(l) and 51.909(p) and all of the interstate switched access end user charges by July 1 [YEAR THAT IS LAST YEAR OF THE TRANSITION].

(b) A rate-of-return local exchange carrier participating in a National Exchange Carrier Association interstate access tariff must remove its interstate switched access carrier-to-carrier charges and interstate switched access end user charges from the corresponding tariffs on the date the detariffing requirement in paragraph (a) of this section takes place. As of that date, the National Exchange Carrier Association may no longer pool any costs or revenues associated with detariffed offerings. Interstate and intrastate switched access carrier-to-carrier charges and interstate switched access end user charges shall not be subject to *ex ante* pricing regulation once detariffed.

§ 61.28 [Removed and Reserved]

- 14. Remove and reserve § 61.28.

PART 64—MISCELLANEOUS RULES RELATING TO COMMON CARRIERS

- 15. The authority citation for part 64 continues to read as follows:

Authority: 47 U.S.C. 151, 152, 154, 201, 202, 217, 218, 220, 222, 225, 226, 227, 227b, 228, 251(a), 251(e), 254(k), 255, 262, 276, 403(b)(2)(B), (c), 616, 620, 716, 1401–1473, unless otherwise noted; Pub. L. 115–141, Div. P, sec. 503, 132 Stat. 348, 1091; Pub. L. 117–338, 136 Stat. 6156.

Subpart R—[Removed and Reserved]

- 16. Remove and reserve subpart R, consisting of § 64.1801.

Subpart S—[Removed and Reserved]

- 17. Remove and reserve subpart S, consisting of § 64.1900.

Subpart CC—[Removed and Reserved]

- 18. Remove and reserve subpart CC, consisting of §§ 64.4000 through 64.4006.

PART 69—ACCESS CHARGES

- 19. The authority citation for part 69 continues to read as follows:

Authority: 47 U.S.C. 154, 201, 202, 203, 205, 218, 220, 254, 403.

- 20. Amend § 69.4 by removing and reserving paragraphs (b) and (d) and revising paragraph (a) to read as follows:

§ 69.4 Charges to be filed.

(a) As of July 1, [YEAR THAT IS THE LAST YEAR OF THE TRANSITION], no switched access charges shall be filed with the Commission. This includes all charges for switched access rate elements specified in this part.

* * * * *

- 21. Amend § 69.5 by removing and reserving paragraphs (b) and (c) and revising paragraph (a) to read as follows:

§ 69.5 Persons to be assessed.

(a) End user charges shall be computed and assessed upon providers of public telephones, as defined in this subpart, and as provided in subpart B of this part.

* * * * *

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