

**Cavalier Telephone Outline of Comments**  
**Intercarrier Compensation – Missoula Plan**

- Issue precipitated due to disparity of jurisdictional access rates and payers trying to circumvent paying the higher rate:
  - Cavalier PA Access Rates:
    - Interstate - \$.005975
    - Intrastate - \$.017556
    - Local - \$.002439
    - ISP - \$.0007
- Rate disparities evolved over many years from a complex set of interrelated regulatory policies as defined at the federal and state level
  - Internet and cellular usage revolutions spurred by federal policies
- Issue is akin to other public policy goals where different rates apply
- For any one carrier there is a 86% differential between intrastate access rate and the local reciprocal compensation rate
  - Creates an atmosphere for mischief – hiding where the call actually originated from – commonly referred to as “Phantom Traffic”
- The actual presence of mischief is the driver behind the issue
- The Missoula solution – drive all traffic to it lowest common denominator (.0007)
  - And then some (rate down to \$.0005)
  - Outside of its complexities – Missoula goes too far
    - Winners – ILEC’s , Rural Telco’s, Cellular, ISP
      - ILEC Tandem Rate of \$.0025 (5X higher)
      - Cellular and ISP’s sustain their virtually free ride of the network
      - Pooling and USF Subsidy Mechanism sustained
    - Losers – CLEC’s

**Missoula Plan Workshop**  
**Pennsylvania Public Utility Commission**  
**Docket No. M-00061972**

- But does cutting the bottom out of the barrel really make any sense?
- Huge disparity between retail and wholesale prices
- Should end-users pay \$.05 per min to the IXC's, with the network termination cost of \$.0005 being 100 times less than that?
- A final cost of \$.0005 per minute for network termination is not cost-based.
- But what price is "cost-based"? "Fair"? Just what is the right price?
- Public policies defined in each jurisdiction are set in the context of public debate
  - That is occurring as I speak, at the state level, and that is the right forum
  - Full hearings full debate at the state, not federal level
- So what is the final right price? Do we want to replace access charges with flat rate charges across the board? Significant SLC increases?
  - That question requires careful consideration
- Past trends in state access rates all support decreases in modest terms, not wholesale reductions
- So we need to carry the debate about state and local access charges into the context of a broader state proceeding, and not at the federal level.
- But in the meantime while this issue is under consideration, the rules have to be modified to eliminate any mischief in the current process.
- The Phantom Traffic loophole must be closed immediately.
  - Set rules for carrier and jurisdictional identification
  - Incentives for proper classification
    - Any non-identified traffic will default to highest rate +10%
- And those rules should be codified at the FCC