

QSI CONSULTING RELEASES REPORT ON INTERCARRIER COMPENSATION FOR IP-ENABLED VOICE TRAFFIC

QSI Consulting, Inc. (www.qsiconsulting.com) released to the public today its report: *IP-Enabled Voice Services: Impact of Applying Switched Access Charges to IP-PSTN Voice Services*. In response to arguments that Level 3 Corporation's forbearance petition¹ currently before the FCC would harm universal service objectives, QSI's analysis indicates that maintaining reciprocal compensation as the primary intercarrier compensation model for IP-PSTN traffic would cause little disruption in the Incumbent Local Exchange Carrier's ("ILEC's") existing switched access revenue stream between now and 2008 (a timeframe within which the FCC is expected to undertake more comprehensive intercarrier compensation reform). QSI estimates that switched access revenues applied to VoIP traffic would increase non-rural ILEC² switched access revenues by approximately 1.8% in 2005 with that impact growing steadily to slightly less than 6.7% in 2008; an amount unlikely to have any real impact on universal service objectives.

QSI's analysis also indicates that applying switched access charges to VoIP traffic will increase prices for VoIP services (primarily residential and small business products) which will have a negative impact on VoIP growth. QSI estimates that any such obstacles to VoIP growth will negatively impact ILEC DSL growth rates as VoIP services have become a strong catalyst for continued broadband demand. This offsetting loss to the ILECs would be substantial, costing them nearly \$470 million in lost DSL revenues between 2005 and 2008, thereby offsetting substantially any revenue gains from increased access revenues.

The QSI analysis also estimates that by 2008, while VoIP will succeed in garnering approximately 6% of total non-local calling volumes, wireless services will by that time carry 62% of all non-local minutes, leaving the circuit switched wireline network with approximately 32% (QSI estimates that this year – 2005, wireless technologies will for the first time carry more non-local minutes than will the wireline PSTN). QSI concludes from this data that any impact on universal service related to switched access minutes lost to new technologies will have already been realized by the substantial impact of wireless services. Any impact from VoIP minutes exchanged at reciprocal compensation rates instead of access rates pales in comparison to the wireless technology substitution that has already reshaped the non-local calling market.

For a complete copy of *IP-Enabled Voice Services: Impact of Applying Switched Access Charges to IP-PSTN Voice Services*, or for an executable version of the *QSI VoIP Impact Model*, please contact QSI's Information Liaison, Patrick Phipps at pphipps@qsiconsulting.com.

¹ See *Level 3 Communications LLC, Petition for Forbearance Under 47 USC Section 160(c) from Enforcement of 47 USC Section 251(g), Rule 51.701(b)(1), and Rule 69.5(b)*, WC Docket No. 03-266 (filed December 23, 2003) ("*Level 3 Petition*").

² The *Level 3 Petition* does not impact rural ILECs who have received relief from Section 251 of the Telecommunications Act of 1996.

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QSI Consulting, Inc. is a privately held consulting firm focusing on network industries and government regulation. QSI's clients include major communications carriers, regulatory agencies, consumer advocates, equipment manufacturers and many others. For more information, please visit our website at www.qsiconsulting.com