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www.phoenix-center.org

5335 Wisconsin Avenue, NW  
Suite 440  
Washington, D.C. 20015-0234  
Tel: +1 (202) 274-0235  
Fax: +1 (202) 318-4909  
[www.phoenix-center.org](http://www.phoenix-center.org)

## Press Release

Contact: Lawrence J. Spiwak  
Phone: +1 (202) 274-0235

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### HISTORICAL DATA REVEAL THAT CONSUMERS COULD SAVE \$1.4 BILLION PER YEAR IF FCC ADOPTS THE AMERICA'S BROADBAND CONNECTIVITY ("ABC") PLAN

#### *Historical Data Reaffirm Need to Move Toward a More Efficient System for Intercarrier Compensation*

WASHINGTON, D.C. - A new report released today by Phoenix Center Chief Economist Dr. George S. Ford on proposed Universal Service Fund reforms finds that the continued migration to more efficient pricing of telecommunications services, as proposed by the industry's consensus "American Broadband Connectivity Plan" ("ABC Plan"), will likely lead to lower out-of-pocket expenses for consumers for such services. More specifically, the Phoenix Center study by Dr. Ford, entitled *On the Road to More Efficient Pricing of Telecommunications Services: A Look at the Evidence*, finds that each customer could pay approximately \$14 less per year in access charges if the ABC Plan's proposed reductions in access rates are fully implemented as part of the Federal Communications Commission's ("FCC") reforms. Multiplied by the total number of access lines provided by the FCC's most current data, the ABC Plan could collectively save American consumers approximately \$1.4 billion per year on traditional voice services provided by the nation's largest phone companies.

By all accounts, the current inefficient system by which telephone companies compensate each other for exchanging traffic is in desperate need of reform. Indeed, the FCC recently argued in its *National Broadband Plan* for "long-term intercarrier compensation (ICC) reform that creates a glide path to eliminate per-minute charges while providing carriers an opportunity for adequate cost recovery." The FCC is currently evaluating a possible solution, including the proposed reforms offered by the ABC Plan. This industry consensus plan proposes, among other things, to cut switched access rates to near zero (\$0.0007 per minute) and raise the cap on the "Subscriber Line Charge" ("SLC") over five-years.

"Since implementing access reform policies in the early 1990's, the amount consumers have paid in access charges has fallen considerably," said Dr. Ford. "If the past is a useful guide, then we should expect adoption of the ABC Plan to favor the typical customer by further reducing inefficient cross-subsidies and reducing out-of-pocket expenses for telephone service."

PHOENIX CENTER POLICY PERSPECTIVE NO. 11-06, *On the Road to More Efficient Pricing of Telecommunications Services: A Look at the Evidence*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective11-06Final.pdf>.

*The Phoenix Center is a non-profit 501(c)(3) organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of telecommunications and high-tech industries.*

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