

VPS Consulting Memo

8YY Access Charge Reform

TRANSITION OF 8YY ACCESS CHARGES & CAPS ON TANDEM SWITCHED TRANSPORT & DATABASE QUERY CHARGES

Summary

On October 9, 2020, the Federal Communications Commission (“FCC”) released a Report and Order relating to 8YY Access Charge Reform. The Report and Order announced a transition of 8YY originating end office access charges to bill-and-keep over three years and, a transition to 8YY originating transport and originating tandem switching into a single nationwide tandem switched transport access service rate capped at \$0.001 per minute. Further, the FCC will transition charges for the 8YY database queries needed to route all 8YY calls to \$0.0002 over three years and prohibit carriers from charging for more than one such query per call. The transition to bill-and-keep for 8YY Access Charges was done by the FCC to curtail abuse of the 8YY intercarrier compensation regime and to preserve the value of toll-free services.

Transition of 8YY Access Charges to Bill-and-Keep.

The following is the transition steps set forth in the Order for 8YY Access Charges:

1. A cap on all originating 8YY end office, tandem switching and transport, and database query charges at their current rates as of the effective date of the Order.
2. Effective July 1, 2021, all local exchange carriers are required to bring any intrastate originating 8YY end office access rates that exceed the comparable interstate rates into parity with the comparable interstate rates.
3. There will be a transition of all intrastate and interstate originating 8YY end office charges from their capped amounts to bill-and-keep in two equal reductions:
 - a. Effective July 1, 2022, local exchange carriers must reduce all originating 8YY end office rates to half of their capped levels.

- b. Effective July 1, 2023, local exchange carriers must reduce all originating 8YY end office rates to bill-and-keep.

Transition of 8YY Tandem Switching & Transport Access Charges to a Capped Rate.

The following is the transition steps set forth in the Order for 8YY Tandem Switching and Transport Access Charges:

1. The FCC adopted a single uniform nationwide rate cap of \$0.001 per minute for originating 8YY tandem switching and transport access charges as of July 1, 2021.

To achieve this nationwide uniform cap, effective July 1, 2021, tandem providers are required to eliminate existing tandem switching charges and transport charges for originating 8YY traffic, and instead subsume charges for both tandem switching and transport into a single joint tandem switched transport access service rate element not to exceed \$0.001 per minute.

To give tandem providers adequate time to implement the rate cap, carriers are required to file tariffs that comply with the interim rate cap for originating 8YY tandem switching and transport rates effective July 1, 2021.

Transition of 8YY Database Query Charges to a Capped Rate.

The following is the transition steps set forth in the Order for 8YY Database Query Charges:

1. Charges will be transitioned for the 8YY database queries needed to route all 8YY calls to \$0.0002 over three years and carriers are prohibited from charging for more than one such query per call. The transition will be as follows:
 - a. A cap on all 8YY Database query charges not previously capped at their current levels as of the effective date of the Order.
 - b. Effective July 1, 2021, 8YY Database query rates are capped for each carrier at the national average query rate of \$0.004248. (Note: Capped 8YY Database query rates that are lower than \$0.004248 must remain at those lower capped rates.)
 - c. Effective July 1, 2022, all database query rates will be transitioned half of the way to the final target rate of \$0.0002. (For example, if a carrier's database query rate is capped at \$0.004248 in the second step, its cap would be \$0.002224 on July 1, 2022). However, if a carrier's rate cap is below \$0.004248, then it will use its capped rate to arrive at its rate effective July 1, 2022.
 - d. Effective July 1, 2023, carriers may not charge more than \$0.0002 for an 8YY Database query.

Recovery of Lost Revenue by Carriers During the Transition.

The FCC determined that existing revenue recovery mechanisms are sufficient to facilitate incumbent local exchange carriers' reasonable recovery during the transition of originating 8YY end office charges to bill-and-keep and as the industry moves to national rate caps for 8YY joint tandem switched transport service and 8YY Database query charges. The FCC will allow carriers to recover lost revenues from these 8YY access charge reductions to the extent existing mechanisms such as Access Recovery Charges and Connect America Fund Intercarrier Compensation allow.

Additional Information

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