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RURAL TELECOM ASSOCIATIONS ADVOCATE RESPONSIBLE USF/ICC REFORM

Joint comments offer targeted approach to modernizing existing mechanisms while encouraging fiscal responsibility, accountability

WASHINGTON (April 18, 2011) – The National Exchange Carrier Association (NECA), the National Telecommunications Cooperative Association (NTCA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Telecommunications Alliance (WTA), together with thirty concurring state and regional associations, filed comments in the Federal Communications Commission’s (FCC) notice of proposed rulemaking (NPRM) regarding Universal Service Fund (USF) and intercarrier compensation (ICC) reform.

In their comments, the associations acknowledged the need to orient the USF toward broadband-capable networks and to modify certain of the existing mechanisms to enhance performance and improve sustainability. At the same time, however, the associations emphasized the importance of a measured approach to reform that would not undermine or eradicate approaches and mechanisms that have already achieved substantial success in promoting and maintaining broadband-capable networks in rural carriers’ service areas.

To strike this balance, the associations have offered a plan for USF and ICC reform that would avoid dramatically damaging universal service in rural areas served by rural rate-of-return carriers, while still accomplishing the fundamental principles of reform identified in the NPRM.

As key parts of their reform roadmap, the associations recommend that the FCC should:

- Immediately address long-standing disputes involving application of ICC rules to *all* traffic originating from or terminating to switched networks (regardless of technology), call signaling requirements, access stimulation, and non-payment issues.

- Adopt several carefully-targeted measures reasonably designed to constrain the recovery of capital investments and operational expenditures from federal universal service mechanisms on a prospective basis, without harming rural consumers, hampering broadband deployment efforts, hindering the ability to recover costs associated with prior investment under existing rules, or undermining the continuing availability and affordability of services in rural America.
- Set up a process to unify intrastate switched access rates with interstate rates by company. A critical component of this transition is that any such ICC rate reductions be coupled with an appropriately-designed restructure mechanism that enables rural local exchange carriers to recover the lost access revenues.
- Avoid arbitrary and artificially designed long-term rate-setting goals like “bill and keep” or a uniform rate applicable to all carriers. Instead, the FCC should pursue ICC reform in sensible, well-defined stages, starting with unification of access charges, followed by subsequent evaluation of market developments, technological advances, and regulatory needs that will inform how further reforms should be structured and implemented.
- Develop a cost-based, “evolved” Rate of Return-based broadband funding mechanism that:
 - phases out legacy USF support mechanisms over a reasonable transition period,
 - ensures the opportunity to recover existing investment,
 - promotes responsible new investment,
 - supports reasonably comparable rates and services, and recognizes the importance of carriers of last resort in rural America, and
 - operates as a separate but complementary component of a more far-reaching Connect America Fund aimed at supporting broadband-capable networks throughout rural America.

The rural associations’ plan satisfies the commission’s near- *and* long-term reform principles by encouraging fiscal responsibility, demanding accountability, reasonably constraining growth in USF, and modernizing the existing mechanisms – all without the disruptive impacts that would arise under other reform proposals currently under consideration. The rural associations’ plan further serves the statutory objectives of ensuring predictability, sufficiency, and specificity in universal service support, and it will promote both the availability *and* sustainability of services throughout rural America at rates and levels of quality that are reasonably comparable to those in urban areas.

“The broadband-capable networks built and maintained by small, rural communications providers are the product of years of public-private partnerships undertaken by those determined to keep their customers in the hardest-to-serve parts of the country connected to the latest communications technologies,” stated NTCA Chief Executive Officer Shirley Bloomfield. “To meet changing consumer demands—and to ensure our nation’s continued economic development—these networks require ongoing investment and stable opportunities for cost recovery. Our proposed reforms will help ensure

that affordable broadband connectivity is available—and remains available for the long term—in rural America.”

“The RLEC plan satisfies the Commission’s near and long-term goals for universal service and intercarrier compensation reform. We look forward to working with the Commission on our members’ behalf to implement this reasonable approach to reach the ultimate goal of broadband capable networks throughout the country,” said Bill Hegmann, NECA President and CEO.

“With our joint association filing, the Commission has the fundamentals necessary to ensure that rural consumers, served by rural carriers, have access to the robust broadband infrastructure they have come to depend on. It is crucial that the Commission consider both the short-term and long-term plan transitions, as outlined in the joint association filing, if they are to build on existing broadband infrastructure and further a national broadband plan that will benefit our entire country,” OPASTCO President John Rose stated.

“I’m pleased the rural industry has come together to speak with a unified voice and put together an alternative proposal that reforms the USF and intercarrier compensation mechanisms for the broadband era,” said Kelly Worthington, WTA’s Executive Vice President. “Our members have made significant investments under a certain set of rules, obligations and expectations and those investments should be protected in whatever reform the FCC adopts. Our proposal not only does that, while moving ahead with reforms in line with FCC principles for future investment, but it also allows our members to continue to provide quality service throughout rural areas.”

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*The **National Exchange Carrier Association (NECA)** is a membership association of U.S. local telephone companies, dedicated to keeping customers connected on state-of-the-art communications networks. Our services help more than 1,000 members across rural America deliver high-speed multi-use broadband services. Visit us at www.neca.org.*

*The **National Telecommunications Cooperative Association** is the premier association representing more than 570 locally owned and controlled telecommunications cooperatives and commercial companies throughout rural and small-town America. NTCA provides its members with legislative, regulatory and industry representation; meetings; publications; and educational programs; and an array of employee benefit programs. Visit us at www.ntca.org.*

*The **Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO)** is the leading voice for rural telecommunications, representing approximately 470 small incumbent local exchange carriers serving rural areas of the United States. Its members include both commercial companies and cooperatives, which collectively serve more than 3 million customers. OPASTCO represents rural telecommunications interests before federal regulatory bodies and Congress, provides publications, and holds two*

conventions annually in January and July of each year, addressing the needs of the small telecommunications industry. The association has an affiliate 501(c)(3) nonprofit the foundation for Rural Education and Development (FRED). Visit us at www.opastco.org.

Western Telecommunications Alliance (WTA) *is a trade association whose membership is comprised of approximately 250 rural telecommunications carriers providing high-quality, voice, video and data services throughout rural areas in the 24 states west of the Mississippi River. On average , WTA member companies serve fewer than 3,000 access lines with fewer than 500 customers in each exchange. WTA's members serve some of the most rural and hard-to-serve communities in the country and are on the forefront of bringing 21st Century telecommunications services to rural America.*

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