



For Immediate Release

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**Rural Telecom Associations See Both Opportunity and Concern
in Historic USF and ICC Reforms**

*Disappointed That FCC Did Not Adopt RLEC Plan in Today's Order;
Welcome Specific Clarifications on ICC Reforms; Ready for Continuing Debate*

October 27, 2011 (Washington, DC) – The National Telecommunications Cooperative Association (NTCA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and the Western Telecommunications Alliance (WTA) released a statement regarding today's historic vote by the Federal Communications Commission (FCC) on Universal Service Fund (USF) and intercarrier compensation (ICC) reform. These mechanisms are essential to the deployment and operation of networks in high-cost areas, and the Rural Telecom Associations have long sought carefully calibrated solutions to ensure the sufficiency and sustainability of the USF and ICC frameworks.

To further this objective, in late July, the Rural Telecom Associations reached a landmark compromise agreement with other carriers, known commonly as the Consensus Framework. The Consensus Framework was developed at the prompting of policymakers for a broad-based industry reform plan, and it included the comprehensive "RLEC Plan" that had been designed and supported by dozens of state, regional, and national rural telecom associations and other stakeholders that have great familiarity with the challenges of building and operating networks in rural areas.

"While we had hoped the FCC would adopt the RLEC Plan as part of a long-term vision for USF reform, we understand that the FCC will suggest that our plan reflects a sound touchstone for further reform and will seek further comment on it," NTCA CEO Shirley Bloomfield stated. "We urge the FCC to move quickly in taking up this opportunity and adopting this plan; such action is essential to round out the FCC's broadband vision, ensure true universal service, and promote sustainable infrastructure investment in areas served by small rural carriers."

The Rural Telecom Associations are hopeful that today's order will help restore some measure of regulatory certainty and predictability in support for rural carriers by resolving a number of key issues, but must reserve judgment until complete details of the order can be analyzed. Questions surrounding the precise nature of transitions, impacts on rural consumers and service quality, and recovery of investment must still be examined and addressed.

Positive aspects of today's FCC order appear to include the FCC's action to confirm that VoIP traffic falls within the ICC framework and to resolve long-standing concerns about so-called "phantom traffic" and other arbitrage schemes. The Rural Telecom Associations also are pleased that the FCC appears to have recognized the need for an ICC restructure mechanism

to help carriers of last resort continue providing affordable services in rural America. They commend the FCC for its leadership and engagement in moving this process and these issues forward.

At the same time, the Rural Telecom Associations remain eager to push forward for a long-term USF reform plan that will provide greater certainty and sufficient support, and they remain concerned that parts of the current reform package will have substantial adverse impacts on rural consumers and the small, community-based carriers of last resort committed to serve them.

For example, the caps that the FCC plans to adopt on certain supported costs have yet to be defined. These caps could create drastic adverse impacts on companies and their customers if they are developed and implemented incorrectly.

There are also indications that the FCC may depart in some ways from rate-of-return cost recovery mechanisms in the order, even if it will maintain these mechanisms as a whole. Existing rate-of-return cost recovery mechanisms have been proven effective and efficient in promoting broadband-capable investment. While the order appears to retain many of these mechanisms, it is not clear yet how the adjustments that the FCC has adopted will affect the ability of small carriers to continue investment in sustainable rural broadband.

“This is just the beginning of USF and ICC reform for rural carriers,” OPASTCO President John Rose stated. “The devil is in the details. Today’s FCC decision will be closely analyzed to determine exactly what it means for our members and their customers. The FCC’s desire for short-term fixes could have long-term, unintended consequences. Once we understand how today’s decisions affect our country’s existing rural broadband infrastructure, we will be ready to work with the FCC, Congress and other stakeholders on long-term reforms.”

The Rural Telecom Associations look forward to the next chapter of the debate over long-term comprehensive reform, including further discussion of the path forward to sustain broadband investment and operation in areas served by small rural carriers, careful review of the implementation of provisions adopted in the order today consistent with applicable law, and also efforts to address the long-standing need for contribution reform. Only by broadening the base of USF contributors, to require all those who rely on networks to support them, can policymakers ensure a long-term sustainable USF.

“We need a USF budget that is sized for the job that is required by law, rather than by arbitrary limits on funding,” WTA Executive Vice President Kelly Worthington stated. “The FCC needs to address USF contributions as soon as possible so that consumers everywhere will benefit.”

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*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 460 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. Visit us at www.w-t-a.org.