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**RURAL TELECOM ASSOCIATIONS FILE COMMENTS ON INTERCARRIER
COMPENSATION REFORM
AND RISKS TO RURAL NETWORKS AND CONSUMERS**

Urge FCC to (1) Align ICC Reform with High-Cost USF Reform; (2) Avoid Policies Driven Solely by Budget; (3) Analyze Negative Consequences of Bill-and-Keep on Rural Consumers; and (4) Clarify Interconnection Rights and Obligations for the Exchange of All Network Traffic

WASHINGTON (February 24, 2012) – 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) today filed comments with the Federal Communications Commission (FCC) in response to the agency’s Further Notice of Proposed Rulemaking (FNPRM) regarding intercarrier compensation (ICC) reform.

The associations urged the FCC to carefully evaluate end-user impacts and cost-recovery implications of ICC reform for rural America. It is critical that the Commission take specific account of both universal service considerations for rural consumers and the true extent of the costs of providing network access in high-cost rural areas before making further reforms to the ICC rules. In particular, the FCC must ensure a well-defined, sufficient and predictable transition for rural carrier cost recovery before moving originating access or remaining transport and termination rate elements toward a bill-and-keep regime, in which tariffed ICC rates can no longer be charged.

The associations noted that ICC has been an essential component for promoting universal service in high-cost areas by helping to keep end-user rates low and enabling network investment and maintenance. If ICC revenues are substantially

reduced or driven to zero by regulatory fiat and done so without meaningful alternative cost recovery beyond higher rates for consumers in high-cost areas, rural rate-of-return regulated local exchange carriers (RLECs) will not be able to sustain their previous progress in deploying high-quality advanced networks. Consumers in these high-cost areas could see their broadband and voice service availability, quality and affordability deteriorate significantly. The FCC must therefore calibrate ICC reform in a manner that ensures sufficiency, predictability, and specificity of support mechanisms, rather than simply squeezing USF and ICC support revenues into tightly constrained and artificially designed budgets.

In their joint comments, the associations also urged the FCC to:

- Avoid compelling any migration to bill-and-keep for additional switched service rate elements until it has time to evaluate the reforms already made and address significant complexities related to additional reforms.

- Cap current transit service rates, and then proceed to regulate the prices for such services consistent with functionally equivalent transport and tandem switching services.

- Ensure well-defined interconnection obligations, consistent with the statutory framework, to minimize further intercarrier disputes and preclude the imposition of arbitrary and uncontrollable expenses on rural consumers.

- Permit the continued use of tariffs as a means of establishing the rates, terms and conditions of network interconnection and traffic exchange.

- Recognize it is premature to consider phase-outs or accelerated reductions in end-user access recovery charges and Connect America Fund ICC support.

- Strengthen call signaling rules to address continuing concerns about phantom traffic.

“Whether through intercarrier compensation or some alternate method, RLECs need to be able to continue recovering costs to sustain the previous progress they have made in deploying high-quality advanced networks to their customers,” said Jeff Dupree, NECA vice president of government relations. “We look forward to working with the FCC to calibrate ICC reform in a manner that ensures sufficiency, predictability, and specificity in support mechanisms.”

“The intercarrier compensation system has been an essential component of universal service for decades,” said NTCA Senior Vice President of Policy Michael Romano. “Thoughtful, measured ICC reform is required to sustain the core statutory mission of universal service, establish a level playing field between smaller and larger carriers, and avoid foisting even greater costs on rural consumers and businesses.”

“Intercarrier compensation is a significant source of network cost recovery for RLECs, and the revenues it provides enable these carriers to provide broadband services to their customers as well as maintain affordable rates,” OPASTCO Vice President of Regulatory Policy and Business Development Stuart Polikoff stated. “It is essential that the FCC make the effects on rural consumers a primary consideration as they proceed with ICC reform, and that they carefully coordinate those reforms with ongoing High-Cost USF reform. If rural carriers are left without sufficient and predictable sources of network cost recovery, then rural consumers will be left behind in the broadband revolution.”

“Proceeding down the path of rate reduction without first waiting to see what the effects of USF reform will have on small, rural companies and their customers is unwise,” said WTA Executive Vice President Kelly Worthington. “The FCC shouldn’t take rates down without providing a truly sufficient cost recovery mechanism to cover the difference. As proposed in the Order, the math just doesn’t add up and rural consumers are going to be negatively affected.”

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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 (NTCA) 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.