



OPASTCO



Action Item: Expanding Rural Broadband Through Intercarrier Compensation Reform

We request members of Congress to:

Urge the Federal Communications Commission (FCC) to adopt the Rural Associations' plan for reforming today's Universal Service Fund (USF) High-Cost program and intercarrier compensation (ICC) system for rural rate-of-return incumbent local exchange carriers (RLECs) ("the RLEC Plan").

ICC refers to the system of payments in which communications carriers compensate each other for the origination, transport, and termination of telecommunications traffic. Together with support from the USF, ICC enables RLECs to provide high-quality, affordably-priced services — including broadband — to rural consumers.

With respect to reform of the ICC system, the RLEC Plan would:

- Address major causes of the arbitrage, instability, and uncertainty caused by the current ICC rules, which threaten RLECs' ability to expand and improve their broadband networks. The Plan accomplishes this by:
 - Confirming that voice over Internet protocol (VoIP) services that interconnect with the public switched network are subject to existing applicable ICC rates.
 - Strengthening call signaling requirements to mitigate the problem of "phantom" network traffic — calls delivered to RLECs without the call identification information necessary to determine the carrier or rate to be billed.
- Enable RLECs, at the discretion of state commissions, to lower their intrastate switched access rates to interstate rate levels. The unification of interstate and intrastate access rates would significantly reduce incentives for access rate arbitrage.
- Establish a "restructure mechanism" for RLECs that would allow for the full recovery of the revenues lost from lowering intrastate access rates, after a certain level of recovery is first obtained through reasonable end-user rates. The ability of RLECs to fully recover the revenues lost from ICC rate reform is essential to ensuring that rural consumers have access to broadband services that are reasonably comparable to those offered in urban areas and at reasonably comparable rates, as required by the Telecommunications Act of 1996.

The FCC is on a fast track to comprehensively reform the ICC system, and seeks to adopt an order in late Summer 2011. Therefore, immediate action by members of Congress is requested.

Background

In March 2010, at the direction of Congress, the FCC issued its National Broadband Plan (NBP) with a goal of ensuring that all Americans have affordable access to robust broadband service. In February 2011, consistent with the NBP's recommendations for achieving this goal, the FCC released a Notice of Proposed Rulemaking (NPRM) that seeks to comprehensively reform the USF High-Cost program and ICC system. Unfortunately, some of the options for ICC reform that are under consideration in the NPRM undermine the objectives of the NBP, placing RLECs' broadband network investments and operations at risk, to the detriment of rural consumers and small businesses.

In response to the proposals in the NPRM, OPASTCO and WTA, along with two other national associations, submitted to the FCC the "RLEC Plan" for high-cost USF and ICC reform for these carriers. The four associations collectively represent all RLECs in the United States who, in turn, serve approximately five million rural consumers. In addition, more than 30 state, regional, and tribal organizations concurred with the RLEC Plan.

RLECs are committed to offering affordable, high-quality broadband services throughout their service areas. However, the existing ICC system has become increasingly unstable, which threatens rural carriers' ability to continue upgrading their networks to bring an evolving level of service to their customers. Therefore, expeditious reform of the ICC rules is needed to provide RLECs with sufficient, predictable recovery of network costs.

RLECs are losing substantial amounts of ICC revenue due to unbillable phantom traffic as well as to VoIP service providers that deliberately avoid payment of any ICC. The more revenues that rural carriers lose as a result of these practices, the more difficult it will be for them to make broadband available throughout their service areas at affordable rates and at increasingly faster speeds. Thus, it is essential the FCC affirm that interconnected VoIP

providers are subject to the same ICC rates that apply to other carriers and require all service providers to transmit the necessary call signaling information for billing purposes. Doing so would not only stabilize the existing ICC system, it would also reduce future pressure on the USF.

As a starting point for more comprehensive ICC reform, RLECs' intrastate switched access rates should be lowered to interstate access rate levels, at the discretion of state commissions. This would decrease the incentives for phantom traffic and other forms of rate arbitrage. It is critical, however, that any ICC rate reductions be coupled with a sufficient "restructure mechanism" for RLECs that, along with reasonable end-user rates, enables them to fully recover the lost revenues.

RLECs presently rely on ICC for a significant portion of their network cost recovery due to the high-cost characteristics of the areas they serve. Therefore, a failure to enable these carriers to fully recover the lost revenues from ICC rate reductions would severely impact their ability to make affordable, robust broadband services available throughout their territories, as the NBP envisions. It would also prevent many RLECs from repaying outstanding loans, meeting current payrolls, and simply maintaining existing services at affordable rates. At the same time, by beginning ICC reform for RLECs with the measured but important first step of unifying interstate and intrastate access rates, it will ensure that the size of the "restructure mechanism" does not pose too great a burden on the USF.

OPASTCO and WTA therefore request that members of Congress act today to urge the FCC to adopt the RLEC Plan for USF and ICC reform. The future of affordable, robust broadband access for millions of rural consumers hangs in the balance.

Joint Association Plan FCC Filing: USF & ICC
<http://www.opastco.org/doclibrary/2216/041811-45daycomments-FINAL.pdf>