



Intercarrier Compensation Reform: A Streamlined Approach for a Solid Foundation

Rural rate-of-return (RoR) carriers have relied upon intercarrier compensation (ICC) and universal service cost recovery mechanisms to deliver high-quality services in hard-to-serve high-cost areas. The economic and civic livelihood of rural communities will depend on affordable access to and the continued deployment and operation of advanced networks.

At a time when IP-enabled services are expanding and support of broadband availability is a national objective, it is hard to predict how future developments will affect interconnection and the exchange of traffic between carriers. Efforts at “comprehensive” reform have become so complex that they repeatedly collapse.

NECA, NTCA, OPASTCO, WTA (“Rural Associations”) have collaboratively established an action plan for promoting broadband availability, beginning with simple and sensible ICC reform.

The Solution—Rural Associations’ ICC Reform Proposal:

- The FCC’s efforts to reform universal service are best served by taking simple steps to ensure ICC is not a “moving target.”
- Rather than trying to predict what ICC should look like in a decade and chasing overly complex “comprehensive” reform, the FCC should undertake several straightforward and sensible near-term reforms:
 1. Each RoR regulated carrier should be given the option to unify its interstate and intrastate access rates.
 2. Those RoR regulated carriers opting for unified rates would recover the resulting reductions in ICC through a combination of reasonable end user rates and incremental federal universal service support.
 3. Reasonable end user rates would be identified via a federal benchmark that includes actual rates, interstate and intrastate subscriber line charges, intrastate universal service support, and mandatory extended area charges.
 4. The FCC should also immediately: (a) clarify that *all* providers who use the public switched telephone network to originate and/or terminate calls must pay the applicable intercarrier compensation rates regardless of technology; and (b) strengthen call signaling rules to address “phantom traffic.”
- Through such steps, the FCC can establish a firm near-term foundation for intercarrier compensation, and use that as both an input and a springboard for universal service reform to support broadband networks.
- The FCC could revisit this streamlined ICC regime once a new universal service system is developed and implemented to determine whether further ICC changes are needed to achieve longer-term universal service objectives.

Taking Action—The Rural Associations will:

- *Continue working in partnership with members to further develop this streamlined ICC reform proposal.*
- *Meet with the FCC beginning in September and continuing through the remainder of 2010 to advocate this streamlined proposal and the need for corresponding changes to the federal universal service fund.*
- *Meet with members of Congress and their staffs to brief them on this streamlined proposal and its relationship to federal universal service reform.*
- *Reach out to individual members and other interested stakeholders, from farming and ranching industry representatives to rural community banking and economic development institutions, to support these advocacy efforts.*

For more information on the proposed ICC reform solution and the action plan, please contact your association.