NTCA
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
The Voice of Rural Telecommunications
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May 12, 2003

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., TW-A325
Washington, D.C. 20554

Re: *Ex Parte* Notice

In the Matter of Developing a Unified Intercarrier Compensation Regime;
In the Matter of Comments Sought on the Petition for Declaratory Ruling Regarding Intercarrier Compensation for Wireless Traffic, (CC Docket No. 01-92) DA 02-2436

Dear Ms. Dortch:

On Monday, May 12, 2003, Scott Reiter and I met with Jane Jackson, Chief Competitive Pricing Division, Tamara Preiss, Victoria Schlesinger and Steve Morris of the Wireline Competition Bureau.

We discussed the enclosed attachment. It explains NTCA's position on the tentative conclusion that bill-and-keep should be adopted as a unified intercarrier compensation regime. We also discussed NTCA's comments to a T-Mobile Petition for Declaratory Ruling Regarding Intercarrier Compensation for Wireless Traffic. NTCA's position is that the wireless terminating access tariffs of the rural incumbent local exchange carrier are lawful.

In accordance with the Commission's rules, an original and two copies of this letter are being filed with the Secretary's Office. If you have any questions, please do not hesitate to contact L. Marie Guillory at 703-351-2021.

Sincerely,
/s/ L. Marie Guillory
L. Marie Guillory
Vice President
Legal and Industry

cc: Jane Jackson, Tamara Preiss, Victoria Schlesinger and Steve Morris

Attachment

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Ex Parte
May 12, 2003

Developing a Unified Intercarrier Compensation Regime (CC Docket No. 01-92)

Small rural telephone companies could be harmed by a wholesale embrace of the Commission's proposal to move to bill and keep as a unified form of intercarrier compensation to replace access or reciprocal compensation.

Access reform has already resulted in the shift of significant costs to universal service. These recent shifts have had a substantial impact on the sustainability of universal service. Smaller carriers are increasingly dependent on universal service support and subject to the uncertainties that are related to that dependency. Additional shifts may aggravate uncertainties.

End user charges in rural telephone company areas are higher than those in urban areas. A NECA study shows that end user charges for rural subscribers increased by 36 percent between 1994 and 2002, from $20.59 to $28.08 per month.[1] Non–rural customers rates, by contrast, increased 14 percent between 1994 and 2001, from $19.81 to $22.65 per month. A mandatory bill and keep regime is likely to raise local rates in the higher cost areas and impact the intrastate jurisdiction more significantly than it will affect interstate access. Most states have not implemented access reform following the 1996 Act.

It is NTCA's position that the Commission should augment the record before moving forward with its tentative conclusion to impose a unified bill and keep regime. Further studies should be done before additional costs are shifted to end users through a bill and keep regime which may work for some but not others.

An NTCA Task Force has initially proposed that the following principles should apply to any changes to access and reciprocal compensation.

- Rural ILECs should maintain the ability to recover their reasonable costs (including the cost of capital) of providing service.
- All carriers (including IXCs, CMRS providers, and VOIP providers) using the rural ILEC networks should pay their fair share of joint and common costs. End users should only bear a reasonable portion of network costs.

1 Trends in Telecommunications Cost Recovery: The Impact on Rural America, October 2002, p.iii-iv.

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- Implementation of revised intercarrier compensation should not lead to an unsustainable universal service fund.
- Rural end user rates and local calling areas should be maintained at levels that are comparable to those in urban areas.
- End user impacts of revised intercarrier compensation should result in reasonably proportional increases, if any, in urban and rural areas.
- Revised intercarrier compensation solutions must be addressed at the state and federal level simultaneously and for all types of traffic.
- Revised intercarrier compensation solutions should increase the ability of Rural ILECs to meet end user customer's service demands.
- Revised intercarrier compensation solutions must encompass practical means for identifying and billing appropriate parties.
- Revised intercarrier compensation should not lead to inefficient network design or operational inefficiencies.
- Implementation of a revised intercarrier compensation plan should consider appropriate transition plans.

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