

## RURAL INDEPENDENT COMPETITIVE ALLIANCE INTERCARRIER COMPENSATION ISSUES

### BACKGROUND

- \* RICA is a national organization representing approximately 80 Rural Competitive Local Exchange Carriers (“RCLECs”) providing competitive service in rural and high cost areas long neglected by the large telephone companies. RICA members are all affiliated with Rural Telephone Companies (“RTCs”) and pursue an “edge out” strategy to provide superior service and advanced telecommunications capabilities that would not otherwise be available.
- RICA members typically compete in relatively small portions of the service area of large telephone companies. Because they are serving only the rural areas, their cost of service is much higher than the average costs of the companies with which they compete.
- Current FCC and many state rules, as well the various “reform” proposals for intercarrier compensation, however, restrict the access revenues and universal service support to the levels of the incumbent company, even though there is no logical relationship between a large company’s average cost upon which the levels are based and the cost of service in area served by the rural CLEC.
- In 2001, the FCC allowed RCLECs competing with non-rural large companies to charge the NECA rates for interstate access, but not those competing with “rural” telephone companies, even though those rural companies are often very large carriers—20 to 30 times the size of most RICA members—with lower average costs.
- Even this concession to some RICA members was quickly cut back when the FCC’s MAG decision reduced the NECA rate substantially. The difference was made up with increased universal service funding for NECA members, but not for RICA members, which then experienced a substantial reduced revenue..

### RICA INTERCARRIER COMPENSATION REFORM POSITIONS

- Rural CLEC access charge levels should relate to the CLEC’s cost of providing service, not the incumbent’s cost or status.
- Universal Service Support intended as replacement of interstate and/or intrastate access charges must be available to eligible rural CLECs on the same basis as rural incumbents, and based on the CLEC’s own costs..
- Revised access and USF rules should eliminate providing competitive advantage to the incumbents.