

**INTERCARRIER COMPENSATION  
CC Docket 01-92**

Sufficient compensatory mechanisms, adequate accounting for differences between and among rural telephone companies, and ample time for small company transitions are essential for the NTCA membership and the rural consumers they serve. The initial comments filed by other parties fail to address all of the concerns of NTCA member companies. NTCA therefore urges the Federal Communications Commission (Commission or FCC) to embrace NTCA's Blueprint Principles for Inter-Carrier Compensation (ICC) Reform and adopt NTCA's proposed ICC rules for small carriers.

The Regulatory Flexibility Act (RFA) requires the Commission when considering new rules to consider less burdensome alternatives for small entities, take steps to minimize any significant economic impact on the small companies, and to describe what those steps are. The Commission must therefore thoroughly consider the unique differences between large wireless/landline/cable carriers as compared to small rural telephone companies. NTCA's Blueprint Principles and its proposed ICC rules below provide the Commission with a roadmap that will enable it to achieve its goal of reforming ICC while at the same time reducing the economic burden on small carriers and rural consumers.

NTCA's five principles for ICC reform include the following:

1. Adopt rules that include a different set of regulatory policies for rural telephone companies to ensure that their networks remain viable;
2. Adopt rules for rural ILECs that include some charge that provides for carriers to compensate each other for the use of one another's network;
3. Adopt rules that preserve and sustain universal service;
4. Adopt rules that preserve rural ILECs' option to operate under rate-of-return regulation; and
5. Adopt rules that encourage investment in a network infrastructure capable of delivering high quality broadband services in all areas of the nation.

Based on these principles and the requirements contained in the RFA, NTCA recommends that the Commission should reject all mandatory bill and keep proposals and adopt the following separate set of interconnection rules for small rural carriers which will minimize the significant adverse economic impact on rural consumers.

1. Allow small carriers to recover their traffic sensitive costs by charging interconnecting carriers on the basis of their usage.
2. Impose no new interconnection obligations on rural ILECs.



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3. Recognize and confirm that rural ILECs have no interconnection obligations beyond their network boundaries.
4. Require competitors that choose to interconnect indirectly with rural ILEC networks through RBOC tandems or other forms of indirect interconnection to bear the cost of transport beyond the rural ILEC's service area. This includes any transport and third party transiting charges in either direction.
5. Require competitors that choose to interconnect at distant points of interconnection (POIs) located within a rural ILEC's network but beyond the rural ILEC's local calling area to bear the cost of transport beyond the ILEC's local calling area.
6. Require that all unlabeled traffic that arrives as access traffic on a rural ILEC network be billed to the carrier at the other end of the trunk group on which the traffic was transported to the rural ILEC.
7. Establish new equitable default termination rates in cases where a rural ILEC does not have an existing interconnection agreement with the carrier responsible for the traffic, but is able to identify the carrier originating the traffic.
8. Require that all RBOC/large carrier tandem transiting rates be cost based and tariffed to prevent abuse of market power.
9. Create a non-portable rural carrier cost mechanism known as the residual access cost recovery mechanism (RACRM). The RACRM would be based on embedded cost and calculated by taking the rural ILEC's current intercarrier compensation revenue requirement (revenues recovered or recoverable from existing interstate and intrastate access and reciprocal compensation) and subtracting out revenues collected from a new unified rate, any subscriber line charges (SLC) increases, and local rate increases. The RACRM would be recovered from all providers of telecommunications, IP-enabled services and information services directly connected to the network.
10. Acknowledge that rural ILECs operate under rate-of-return regulation and structure cost recovery for these carriers accordingly.
11. Continue to allow RoR carriers to participate in the NECA pools.
12. Eliminate the intraMTA Rule.
13. Eliminate the ESP Exemption for ISPs.



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14. Enforce toll rate averaging as required by Section 254(g) of the Act.
15. Continue to allow Centralized Equal Access (CEA) Providers to charge cost-based access charges to carriers that use their networks.
16. Refer issues related to intrastate access charges to a Federal-State Joint Board on Separations for the Board's consideration and recommendation.
17. Expand the base of USF contributors to include all cable, wireless and satellite providers of broadband Internet access and facilities-based and non-facilities-based VoIP and IP-enabled service providers.
18. Establish a revenue neutral transition period for rural ILECs and their subscribers to ensure that any new rules preserve universal service and encourage investment in network infrastructure capable of delivering high quality broadband services in all areas of the Nation.

Transitioning to a new ICC regime and establishing a separate set of ICC rules for small carriers will enable the Commission to achieve its goal of reforming the myriad of existing ICC regimes, enhance competition, and ensure that consumers living in rural, insular and high-cost areas continue to have access to affordable telecommunications and advanced services well into the 21st century. NTCA urges the Commission to adopt its proposed principles and rules.