

**ORGANIZATION for the PROMOTION and
ADVANCEMENT of SMALL
TELECOMMUNICATIONS COMPANIES**



O P A S T C O

Ex Parte Meeting with Commissioner McDowell
September 15, 2006



ABOUT OPASTCO

- **OPASTCO is a national trade association representing more than 550 small incumbent local exchange carriers serving rural areas throughout the United States and Canada. See www.opastco.org for more information.**
- **OPASTCO members embody the universal service concept, serving as the carrier of last resort and offering high-quality, facilities-based telecommunications service to all of the customers in their territories.**
- **All OPASTCO members are “rural telephone companies” as defined in the Telecommunications Act of 1996 (47 USC §153(37)).**
- **In addition to local phone service, OPASTCO members provide a wide array of other communications services. These include Internet access, broadband, video, long distance, mobile wireless, and competitive local exchange.**



ABOUT OPASTCO

- **Rural telephone companies have unique operational and market characteristics that set them apart from non-rural carriers and that often result in significantly higher costs per subscriber. These characteristics include small and widely dispersed customer bases, long local lines, difficult terrain, and very few high-volume business customers.**
- **Rural rate-of-return regulated carriers, on average, recover approximately 60 percent of their costs through a combination of intercarrier compensation and universal service support mechanisms. This makes these sources of revenue critical for rural ILECs and any reform must be done with great care to ensure that rural consumers continue to have access to high-quality, modern services at affordable rates.**



ABOUT OPASTCO

- **Despite the challenges they face, OPASTCO members have made great strides in deploying broadband capability throughout their service areas. On average, OPASTCO members are able to offer broadband services to approximately 90 percent of their customers.**
- **OPASTCO members are committed to achieving the FCC's and Administration's goal of ubiquitous broadband availability. However, to continue investing in broadband-capable infrastructure, they require the certainty of FCC regulations that will provide revenue stability and the opportunity to achieve full cost recovery.**



ABOUT OPASTCO

- **OPASTCO is one of the founding members of the Coalition to Keep America Connected, which serves as a voice for rural consumers as Congress considers a rewrite of the nation's telecom laws. The Coalition is dedicated to ensuring that all consumers have access to affordable telecommunications and the latest technologies, no matter where they live. See www.keepamericaconnected.org for more information.**
- **OPASTCO is a member of the Rural Alliance, which advocates for intercarrier compensation reform that will continue to encourage investment in rural infrastructure and provide rural consumers with affordable access to basic and advanced communications services. See www.rural-alliance.org for more information.**



UNIVERSAL SERVICE

Distributions

- **High-cost support for rural ILECs should remain based on their embedded network costs.**
 - Support based on embedded costs has been highly successful in achieving the 1996 Act’s universal service objectives in rural service areas. It has encouraged rural ILECs to prudently invest in their networks and has been instrumental to their ability to deploy advanced services.
- **The High-Cost program should continue to be bifurcated using the 1996 Act’s definition of “rural telephone company.”**
- **High-cost support for competitive ETCs in rural service areas should not be based on the costs of the rural ILEC.**
 - Elimination of the “identical support rule” in rural service areas would address the wasteful payout of windfall support amounts to competitive ETCs that threaten the Fund’s sustainability.



UNIVERSAL SERVICE

Contributions

- **The contribution base for the USF should be expanded to include all broadband Internet access providers over all platforms. This should be done prior to the completion of fundamental reform of the contribution methodology.**
- **OPASTCO is accepting of a contribution methodology based, in part, on network connections and/or working telephone numbers. However, that change, by itself, will not be sustainable for the long term.**
- **The way to achieve a sustainable contribution methodology for the long term is to establish the broadest possible base of contributors. As broadband connections continue to grow at a rapid pace, assessing these providers would significantly widen the contribution base and lessen the contribution assessment that each service provider passes on to its customers.**



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INTERCARRIER COMPENSATION

- **The Rural Alliance -- of which OPASTCO is a member -- was a major participant in the development of the Missoula Plan for Intercarrier Compensation Reform.**
- **The Missoula Plan incorporates the following concepts which are essential to the Plan remaining beneficial to customers of rural rate-of-return ILECs:**
 - **The Plan takes a “multi-track” approach to reform that recognizes the differences among carriers of different size and regulatory classification.**
 - **The Plan includes an access replacement mechanism (“Restructure Mechanism”) – separate from the Universal Service Fund – that enables rural rate-of-return ILECs to fully recover the revenues lost from the reduction of intercarrier rates that are not otherwise recovered through increased end-user charges.**
 - **The Plan enables rural rate-of-return ILECs to establish *cost-based* access rates that recognize the value other carriers receive when they utilize rural networks to originate and terminate traffic.**
 - **The Plan includes limitations on the obligations of rural ILECs to undertake financial responsibility for the transport of traffic beyond their networks.**
 - **The Plan recommends broadening the contribution base for the USF and the Restructure Mechanism.**



CONTACTS

OPASTCO looks forward to working with you to ensure that the future of communications for rural consumers is a bright one.

Call on us anytime!

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