INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

October 20, 2008

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20054

Re: ***Developing a Unified Intercarrier Compensation Regime***
Proper Routing and Compensation for Termination of Telecommunications Traffic
CC Docket 01-92

Federal-State Joint Board for Universal Service
CC Docket No. 96-45
WC Docket No. 05-337

NOTICE OF EX PARTE

Dear Ms. Dortch:

On October 17, 2008, Curt Stamp and the undersigned of ITTA, Gene Johnson of FairPoint Communications, and Ken Mason and Don Shassian of Frontier Communications met with Commissioner Jonathan Adelstein and Scott Bergmann; Robert Currey of Consolidated Communications, Alan Wells of Iowa Telecom, and Robin Tuttle of FairPoint Communications participated via telephone. The parties relied upon the attached presentations in their discussion of the ITTA proposal for intercarrier compensation reform.

ITTA explained that bill and keep and near-zero "uniform rate" proposals disregard the unique challenges faced by mid-sized carriers serving rural America and will overburden the Universal Service Fund (USF). By contrast, ITTA's track-based intercarrier compensation proposal balances the impact of reform among carriers, end-users, and restructuring mechanisms. ITTA fully supports terminating rate unification in its proposal, but that unification must reflect the needs and dynamics of different types of carriers.

The participants explained that the Commission must reject proposals that fail to consider the needs of carriers serving rural America, including ITTA members who collectively serve 30 million access lines across 45 states in predominantly rural markets. So-called "$0.0007" and similar proposals would not only eliminate a vital element of cost recovery but would also constrict severely carriers' ability to obtain capital in the financial markets as regulatory risk would reduce investor confidence in carriers. Such action, particularly during the most significant economic downturn in years, will retard broadband deployment, rather than promote it; impose upon end-users higher rates, rather than cognizable benefits; and leave carriers in the unenviable position of determining how capital restrictions will be manifested. These consequences are, astoundingly, arising without concomitant benefit for consumers, but with potential windfall benefits to the Nation's largest integrated carriers. ITTA members are carriers of last resort in their service areas, and when acquiring former-BOC properties have consistently undertaken network investments their predecessors did not. These companies' payments of dividends to shareholders is a distribution of equity that is substantively no different than another entity's payment of debt to a lender; it is a function necessary to attract the type of capital needed to deploy and maintain networks.

A terminating rate of $0.0007 as proposed by some parties would not only fail to cover costs for mid-sized and smaller carriers but would also place a large burden on consumer rates as well as strain the USF or any other device through which the Alternative Recovery Mechanism (ARM) would operate; proposals bereft of an ARM are simply untenable, a position shared by carriers across the industry. ITTA members serve rural areas and have higher marginal costs than those entities that have declared $0.0007 to be sufficient (at least for themselves). Generally, $0.0007 is less than ITTA members' respective reciprocal compensation rates, often by an order of magnitude. Such a drastic reduction in intercarrier compensation rates would threaten carriers serving rural areas and affect adversely their ability to make investments necessary to ensure broadband availability for all Americans.

ITTA's proposal distributes responsibility equitably: it incorporates a benchmark that relies upon the Commission's already-determined National average urban residential rate ($20.76, excluding taxes and fees); provides for modest SLC increases; and imposes only minor pressure on the USF by reducing the size of the ARM that would be required with other proposals. In addition to its equitable features, the ITTA proposal avoids unintended adverse impacts and recognizes, particularly in its Track 2 element, the distinct needs of its members and the 30 million access lines they collectively serve.

The attachments illustrate several of the points ITTA articulated in the meeting: first, inappropriate ICC reform will wreak adverse impacts across a wide swath of the Nation, as indicated by the ITTA members service area map; second, a survey of ITTA members revealed that ICC accounts for 12.26 percent of company revenues; and, third, the impact of $0.0007 results in an average $4.33 monthly impact on surveyed ITTA lines.

Respectfully submitted,

s/*Joshua Seidemann*
Joshua Seidemann
Vice President, Regulatory Affairs

Attachments

cc: Commissioner Jonathan Adelstein
Scott Bergmann