



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

News media Information 202 / 418-0500
TTY 202 / 418-2555
Fax-On-Demand 202 / 418-2830
Internet: <http://www.fcc.gov>
<ftp.fcc.gov>

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NEWS MEDIA CONTACT:
Michael Balmoris 202-418-0253
Email: michael.balmoris@fcc.gov

FCC ADOPTS FURTHER MEASURES TO REFORM INTERSTATE ACCESS CHARGE SYSTEM FOR RURAL CARRIERS

Washington, D.C. – The Federal Communications Commission (FCC) today adopted further measures to reform interstate access charges and the universal service support system for rate-of-return incumbent local exchange carriers (LECs). These measures are designed streamline the FCC’s rules and increase rural carriers flexibility to respond to market conditions.

Rate-of-return carriers, as opposed to price cap carriers, are typically small, rural telephone companies, ranging in size from a few hundred lines to approximately one million. They generally have higher operating and equipment costs than price cap carriers due to lower subscriber density, smaller exchanges, and limited economies of scale. Rate-of-return carriers also rely more heavily on revenues from interstate access charges and universal service support. They number roughly 1,250 carriers and serve approximately seven percent of the nation’s phone lines.

The *Report and Order* adopted today resolves a number of issues on which the FCC sought comment in the October 2001 *Multi-Association Group (MAG) Order and Further Notice*, including:

1. **Reduce Costs and Uncertainties** – Modifies the “all-or-nothing” rule to permit rate-of-return carriers to bring recently acquired price cap carrier lines back to rate-of-return regulation without obtaining a waiver.
2. **Pricing Flexibility** – Grants rate-of-return carriers the authority to provide geographically deaveraged transport and special access rates, subject to certain limitations.
3. **Simplify Support Mechanism** – Merges Long Term Support (LTS), a legacy universal service mechanism established following the divestiture of AT&T, into Interstate Common Line Support (ICLS), a new universal service mechanism established in the MAG order to replace implicit support in access charges. This measure will not affect existing support levels for rate-of-return carriers.

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The FCC also adopted a *Second Further Notice of Proposed Rulemaking* to seek comment on two specific plans filed by rate-of-return carriers that propose establishing optional alternative regulation mechanisms for rate-of-return carriers.

-FCC-

Docket No.: CC 00-256

Action by the Commission, February 12, 2004, by Report and Order and Second Further Notice of Proposed Rulemaking (FCC 04-31). Chairman Powell, Commissioners Abernathy, Copps, Martin, and Adelstein with Commissioners Copps, Martin, and Adelstein issuing separate statements.

Wireline Competition Bureau Staff Contact: Doug Slotten at 202-418-1572

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