



NEWS

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See *MCI v. FCC*, 515 F.2d 385 (D.C. Cir. 1974).

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FCC Moves to Replace Outmoded Rules Governing Intercarrier Compensation

Seven Comprehensive Reform Proposals To Be Weighed

Washington, D.C. – The Federal Communications Commission today took steps toward replacing the outmoded system of intercarrier payments in the telecommunications industry with a uniform regime suited for competitive markets and new technologies.

The current system relies on per-minute intercarrier payments that distinguish between different types of carriers and services, such as local and long-distance, or wireless and wireline, even though these distinctions often have no bearing on the cost of providing service. Furthermore, new technologies, such as Internet telephony, and new service offerings, such as bundled flat-rate packages, have eroded these distinctions.

Four suggested common themes for reform have emerged from the record developed in the Commission's 2001 *Intercarrier Compensation NPRM*.

First, any approach should encourage the development of efficient competition and the efficient use of and investment in telecommunications networks. Second, any approach must preserve universal service support, which ensures affordable rates for consumers living in rural and high-cost areas. Any proposal that would result in significant reductions in intercarrier payments should include a proposal to address the universal service implications of such reductions.

Third, any approach must be technologically and competitively neutral. Given the rapid changes in telecommunications technology, new rules must accommodate continuing change in the marketplace, provide regulatory certainty and not impede novel technology. Finally, an approach that requires minimal regulatory intervention and enforcement is consistent with the competitive deregulatory environment of the 1996 Telecommunications Act. Proposals that rely on negotiated agreements between carriers might be preferable to regimes requiring detailed rules and regulations.

The Commission is seeking comment on seven comprehensive reform proposals submitted by the industry and others in the rulemaking. Among the questions the Commission will examine is the effect any change will have on consumers and the universal service fund, which helps provide affordable service for rural and low income Americans. The Commission

said it would be “particularly receptive” to any plan that offers expanded choices and lower rates to rural consumers.

Following is a list of the groups submitting reform proposals and a brief description of their plans:

- Intercarrier Compensation Forum (ICF). The group represents a diverse group of nine carriers. The plan would reduce most per-minute termination rates from existing levels to zero over a six-year period.
- Expanded Portland Group (EPG). The group is comprised of small and mid-sized rural LECs. Its two-phase plan would eventually convert per-minute intercarrier charges to capacity-based charges.
- Alliance for Rational Intercarrier Compensation (ARIC). ARIC represents small rural providers serving high-cost areas. Its Fair Affordable Comprehensive Telecom Solution (FACTs) plan would unify per-minute rates at a level based on a carrier’s embedded costs.
- Cost-Based Intercarrier Compensation Coalition (CBICC). The coalition represents competitive local exchange carriers, or CLECs. The plan would create a cost-based termination rate in each geographic area for all types of traffic.
- Home Telephone Company and PBT Telecom (Home/PBT). Home and PBT are rural local exchange carriers. The plan would replace the current regimes with connection-based intercarrier charges.
- Western Wireless. Western Wireless is a wireless carrier that receives universal service support in 14 states. Its plan would reduce intercarrier charges in equal steps over four years to bill-and-keep.
- NASUCA. NASUCA is the National Association of State Utility Consumer Advocates. NASUCA’s plan would reduce certain intercarrier rate levels over a five-year period.

To read these plans in their entirety, visit the FCC’s web site at <http://www.fcc.gov/wcb/ppd/>. Links to the plans can be found under the heading “Intercarrier Compensation Reform.”

Action by the Commission, February 10, 2005, by Further Notice of Proposed Rulemaking, (FCC 05-33). Chairman Powell, Commissioners Abernathy, Copps, Martin and Adelstein, with separate statements issued by Chairman Powell, Commssioners Abernathy, Copps, and Adelstein.

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