Congress of the United States
Washington, DC 20515

September 25, 2019

The Honorable Ajit Pai
Chairman
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

Dear Chairman Pai:

We applaud the Federal Communications Commission for its efforts to stop exploits of intercarrier compensation. However, if the recent order is implemented as drafted, it could have profound impacts to rural Iowa local exchange carriers (LECs) and communities across the state. Enclosed please find a letter that is representative of concerns we have heard from LECs across Iowa regarding their concerns.

We respectively request that the carriers concerns regarding this draft order be given all due consideration. We also ask that the FCC respond to these concerns and address the issue of the length of time needed to implement new requirements. Rural local exchange carriers try very hard to provide good service at a reasonable price to its customers. Radically changing its business model would drastically effect the service provided throughout rural Iowa.

Thank you for your time and consideration of this matter. Please do not hesitate to reach out to our offices if we can be of assistance.

Sincerely,

Chuck Grassley
Charles E. Grassley
United States Senator

Dave Loebsack
Dave Loebsack
United States Representative

Joni K Ernst
Joni K. Ernst
United States Senator

Steve King
Steve King
United States Representative

Abby Finkenauer
United States Representative

Cynthia Axne
Cynthia Axne
United States Representative

cc: Commissioner O'Rielly

Ms. Sherry Kuntz
Office of Senator Charles Grassley (IA)
135 Hart SOB
Washington, DC 20510-1502
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sherry_kuntz@grassley.senate.gov

REF: Proposed Order (WC Docket No. 18-155)

Ms. Kuntz,

On September 5, 2019, the Federal Communications Commission ("Commission) issued a draft Report and Order *In the Matter of Updating the Intercarrier Compensation Regime to Eliminate Access Arbitrage* ("Draft Order"). The Draft Order, although commendable for its efforts to stop exploits of intercarrier compensation, will, if implemented as drafted, have a profound impact Iowa. We write to share with you the ways in which the Draft Order will cause devastating financial harm to many rural Iowa local exchange carriers, or LECs, as well as Iowans in communities across the state. We hope that by sharing with you this urgent problem, you can take steps that will ensure the survival of Iowa's local phone companies and preserve the interests of the state's rural inhabitants.

In short, the Draft Order turns modern intercarrier compensation on its head by placing the financial responsibility on the rural LEC to complete certain types of calls. If this new rule is implemented, rural local phone companies in Iowa will be forever changed or eliminated. Until today and over time, many Iowa LECs have changed their business models to rely more and more on selling services to a larger service area utilizing competitive advantages in the system. Currently, Iowa LECs can utilize their unique abilities to generate revenue by entering into business arrangements with high volume calling applications. These arrangements allow the rural residents of Iowa, small businesses, and political parties all over the country the opportunity to have affordable voice services, while helping to keep rural LECs alive. This business model, although challenged by the largest of carriers, allow rural LECs to generate revenue to upgrade connectivity and carrier grade technology for the rural inhabitants of Iowa. The rural LECs' ability to compete in this manner makes it so that the telecommunications services provided to Iowans match service received by others in more populated parts of the country. The Iowa LECs will not be able to provide the technological demands of your constituents if the Draft Order, reversing the economics of this business model, is implemented.

The most egregious part of the Draft Order is that it discriminates against rural carriers. The Draft Order sets forth "triggers," which if met, requires the LEC to *pay* to terminate calls, rather than receive payment. This reverses a model that has been in place for the tenure of modern telecom. The large long-distance carriers will never trip these triggers, and so, they are unfair by their very nature. This means that the large long-distance carriers (AT&T, Verizon, CenturyLink, Sprint, T-Mobile) are not penalized for entering into the same business arrangements as the rural LECs. The Draft Order allows the large carriers to receive payment for connecting these calls while the rural LECs will need to pay for connecting these calls. The Draft Order is discriminatory on its face. It does not "level the playing field" across the country, it creates a windfall and advantage to the largest of carriers. If the Commission as a policy matter wants to eliminate the implicate subsidies inherent in the intercarrier compensation system then the Commission should apply the same rule everywhere, for every carrier, and eliminate the business model and all free voice applications. We do not believe that such drastic measures are necessary; nor is the Commission's involvement in consumer pricing warranted, especially since many of your constituents rely on low cost or free voice applications for their news, prayers, business and family matters. There are many other changes that can be made, aside from financially devastating the rural LECs or outlawing certain calling applications. Commentators from all over the country, including rural LECs have proposed workable options to confront what the Commission called "excess arbitrage," including but not limited to:

1.) Reduce the number of miles for which a LEC can charge a long-distance carrier or create a mileage-based trigger;

2.) Transition to a universal bill-and-keep system or equalize rates and pricing across the board;

3.) Encourage the long-distance carriers and LECs to enter into direct connect agreements, requiring tariffed volume discounts to the access rate, if the long-distance carrier and terminating providers cannot reach agreement on private contract with negotiated rates.

These are just a few proposals. There is substantial evidence in the record to compel the Commission to slow down and take stock in what has been proposed. We must stop the cycle of the Commission bending to the pressure of the large long-distance carriers and allow the rural LECs to survive and grow to meet their customers' demands as telecom and technology continue to expand.
Finally, and perhaps most importantly, the requirement that rural LECs pay for the cost of connecting calls must receive far more study and industry consensus and process development must occur before any implementation. We want to be compliant with any Order that is finalized and doing so will take time. Such a drastic change cannot be implemented in the fashion contemplated in the Draft Order. The Draft Order would abruptly change long-standing industry practices, norms, forms and processes. To adopt to these changes will require everything from amending tariffs to running new billing processes with outside vendors to meetings with board of directors. These changes will take many months to roll out. The rural LECs need much more time than the 45 days provided in the Draft Order. The last time the Commission overhauled intercarrier compensation it did so over a period of 7 years, and that change primarily involved a reduction of rates. The rural LECs need at least a year to comply with the dramatic and devastating changes in the Draft Order and moreover, find a way for their businesses to survive.

I want to thank you and Senator Grassley for taking the time to review this letter and consider our request for fairness and time to get this right by asking the FCC to delay the filing of the order and investing time into gaining more information from all parties to make an informed decision. A letter to be signed by all members of the Iowa delegation, addressed to the Commission (Chairman), would serve well towards this goal. As always, I can be contacted at rlaudner@omnitel.biz, or 612-245-9881.

Sincerely,

Ronald J Laudner, Jr.

Ronald Laudner, Jr.
President & CEO
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