Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)
	)
Wireline Competition Bureau Announces	)
Results of Urban Rate Survey for Voice	)
Services; Seeks Comment on Petition for	)
Extension of Time to Comply with New	)
Rate Floor	)

Comments of ICORE Consulting, LLC

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I. INTRODUCTION

The Commission's plan to drastically increase the local rate floor for those rate-of-return, eligible telecomunications carriers serving rural America (Rural Incumbent Local Exchange Carriers, or RLECs) will cause severe problems for these high cost, non-urban universal service providers and their customers. The implementation of these higher charges at July 1, 2014, by those RLECs attempting to fully recover their high cost loop support (HCLS), will be virtually impossible.

As suggested by Commissioner Pai in his March 20, 2014 statement in this proceeding, the FCC, "should freeze the rate floor indefinitely and reexamine this misguided policy." At the very least, such a substantial local rate increase should be subject to a long and gradual phase-in, rather than a flash cut.

At a bare minimum, this action should be delayed from its proposed July 1, 2014 start date. It will, in most cases, be impossible for RLECs seeking to receive their full HCLS to file for, receive regulatory approval of, and begin billing these new rates in the scant three months from the date of these comments.

II. A FREEZE OF THE LOCAL SERVICE RATE FLOOR FOR RURAL ILECS WOULD BEST SERVE RURAL AMERICA

The higher rate floor set forth in this proceeding, from the current $14.00 to $20.46, represents a staggering 46% increase in the basic R1 local rate for voice service in rural America.

A rate increase of this magnitude produces an unacceptable dilemma for RLECs that have for many, many years offered quality services at affordable rates in high cost, lower income areas. That is, they can either flash cut rates upward to levels rarely seen in rural areas, or forego all or part of these huge Commission-imposed local rate hikes and lose a large portion of their much needed HCLS, which is essential to their continued provision of universal service.

A major increase in rates will surely cause RLEC customers to leave their networks, driving them to competitors that have never been burdened with the provision of universal service. Rural customers have always been satisfied with the safe, reliable and secure voice services offered at fair rates by their serving RLEC. But rate increases approaching 50% will provide an arbitrary incentive for long-standing customers to switch to other providers that have never made the large, long-standing investments in, and commitments to, telephony in rural America.

The imposition of the new, substantially higher rate floor is grossly unfair and punitive in nature. It punishes and puts at serious risk those very companies - the RLECs - that have fully and faithfully met the Commission's goals of universal service in high cost, hard-to-serve rural areas. If RLECs raise their rates to the new floor, they risk losing customers and revenue to competitors that have never had to meet universal service obligations. If

RLECs forego the rate increases, they lose the high cost support which is absolutely necessary for the recovery of their significant costs incurred to meet the Commission's universal service mandates. For many RLECs – including several ICORE Consulting clients – HCLS represents a very sizable and irreplacable portion of their revenue.

The Commission certainly should not be in the position of driving customers off RLEC networks by creating arbitrary competitive advantages for their competitors. The imposition of a regulatory process designed largely for urban areas does just that, however. The current local service rate floor should be frozen, in order for the Commission to fully evaluate the effects of any proposed higher rates on RLECs, rural customers, competitors, and – as pointed out by Commissioner Pai – rural economies.

III. ABSENT A FREEZE, A LONG AND GRADUAL TRANSITION TO THE HIGHER RATE IS NECESSARY

The flash cut of any change of the magnitude set forth in this proceeding is virtually unheard of in our carefully regulated industry. The negative consequences of rate shock and other highly disruptive impacts are almost always ameliorated by gradual phase-ins of any large and controversial events. Basic local rate increases of 46% or more in rural America certainly qualify as a prime example of the need for a long and gradual phase-in.

As pointed out above, the sudden imposition of huge increases in rural basic local rates will drastically alter the regulatory, competitive and business landscape for RLECs, competitors, and consumers of telecommunications services in many rural areas. The flash cut of these rates will have serious negative impacts on traditional RLECs and their customers, while affording arbitrary competitive advantages to other, newer carriers.

If rural local service rates must be raised, they should be done so in a controlled and judicious manner, so as to avoid the grossly unfair outcomes that will result from the immediate imposition of these major increases.

IV. AT A MINIMUM, IMPLEMENTATION OF THE NEW RURAL RATE FLOOR MUST BE DELAYED

The Petition for Extension of Time by ERTA, ITTA, NECA, NTCA, USTELECOM and WTA rightfully presents the reasons why compliance with the new rate floor should be extended from July 1, 2014, to January 2, 2015. At the very minimum in this proceeding, the requested extension should be granted.

Without repeating all of the valid arguments in the petition, there is simply too little time between now and July 1 to file for rate increases, receive regulatory approval, notify customers, and begin billing the new rates. Many companies – including several ICORE Consulting clients - will lose a substantial amount of their much needed HCLS because of the impossibility of effecting a large rate increase in the three short months remaining until the July 1 deadline.

In order to allow those RLECs choosing, very reluctantly, to implement the higher local rate floor – so as not to lose their deserved and extremely important HCLS – the Commission should adopt the January 2, 2015 date, at the earliest.

V. CONCLUSION

The Commission's headlong rush to implement its drastically increased local service rate floor in rural America – just three months from the date of these comments – is a draconian attempt to force unwanted and unneeded changes to RLEC rates. It will arbitrarily shift the telecommunications landscape in rural America away from universal service, and toward providers with no real commitment to the needs of rural customers.

The Commission has formalized the death spiral for small, rural ILECs by effectively asking them, "How do you want to die? Through huge local rate increases that will force large numbers of your customers to leave your network? Or by losing your critically necessary high cost loop support, which we previously promised you to help cover your costs of meeting our universal service goals?"

To prevent the punitive and negative consequences of these higher rates on RLECs, their customers, and rural economies, the Commission should adopt the measures suggested herein.

Respectfully Submitted,
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