



OFFICE OF ADVOCACY *FACTSHEET*

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Advocacy Asks FCC to Consider Impacts and Alternatives of Intercarrier Compensation Plans

On December 21, 2004, the Office of Advocacy (Advocacy) filed a letter with the Federal Communications Commission (FCC) discussing its views on the analysis required of the FCC by the Regulatory Flexibility Act (RFA) on a forthcoming regulatory proposal on Developing a Unified Intercarrier Compensation Regime. A complete copy of Advocacy's letter may be accessed at <http://www.sba.gov/advo/laws/comments/>.

- The FCC is considering intercarrier compensation plans submitted by various coalitions within the telecommunications industry. Intercarrier compensation is how telecom carriers reimburse each other for terminating telephone calls on each others' network. The FCC has been attempting to reform and unify the current antiquated and complex system of compensation schemes for several years. Advocacy expects that the FCC will issue a proposed rule based upon the submitted industry plans early next year.
- The RFA and Executive Order 13272 require government agencies to analyze the impact of proposed and final rules on small entities and consider less burdensome alternatives. The initial analysis should be done at the same time as the proposed rule and should be issued concurrently with the proposal. Should the FCC ask for comment on multiple plans or develop one of its own, then the FCC must conduct a proper initial regulatory flexibility analysis (IRFA) on each.
- As a guide to what issues the FCC should consider in the IRFA, Advocacy reviewed four of the industry compensation plans and spoke with representatives of several small telecom carriers and their organizations. The small carriers identified issues that will have a significant impact on small businesses, which Advocacy presented to the FCC. In addition, Advocacy presented significant alternatives based on its outreach. This was not intended to be an exhaustive list and additional impacts and alternatives may become apparent when the FCC conducts its own analysis.
- Advocacy notified the FCC that a unified intercarrier compensation regime could have significant impact on the cost recovery of small rural carriers. Also, small carriers, both rural and competitive, are less able to recover their costs through increased subscriber line charges. Instead, the small carriers recommend a cost-based compensation system rather than a system where carriers terminate on other carriers' networks for no charge and recover the costs from their own customers.

For more information, visit Advocacy's website at <http://www.sba.gov/advo/> or contact Eric Menge at (202) 205-6949.