

# UNIVERSAL SERVICE AND INTERCARRIER COMPENSATION REFORM

ADDRESSING THE NEEDS OF  
MID-SIZE CARRIERS

# Introduction to ITTA

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- ITTA
  - Mid-size carriers.
    - 19.5 million access lines, 44 states.
  - Price cap and rate-of-return regulated.
  - Primarily rural service areas.
  - 85 percent broadband deployed.



# USF/ICC Reform

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- Reform Framework.
  - ABC Plan and ROR Plan provide constructive starting points for reform.
    - Basic framework of the industry plans is sound.
  - Certain modifications are required to meet the needs of all mid-size carriers.
    - Most mid-size carriers were not permitted to participate directly in development of the plans.

# USF/ICC Reform (cont.)

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- Carriers must be afforded meaningful access to the cost model.
  - Current level of access insufficient to validate output results and model modifications.
    - Carriers must be able to review the source code and model equations used to determine census block costs.
  - Adoption of the model in the absence of such review would be arbitrary and capricious.

# USF/ICC Reform (cont.)

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- ICC reform transition plans should be amended.
  - Intercarrier compensation revenues are critical for many mid-size carriers.
  - Should \$0.0007 be adopted as the default end rate, changes in the transition process are necessary.

# USF/ICC Reform (cont.)

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- A two-year review period is needed to consider how the transitions are progressing and whether adjustments should be made.
  - Affirmative Commission decision should be required.
  - Transitions should not continue during the review process.

# USF/ICC Reform (cont.)

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- Regulatory Flexibility.
  - Carriers should not be impeded in their ability to change federal regulatory status post-reform.
- Treatment of VoIP Traffic.
  - Same intercarrier compensation rates should apply to all traffic throughout the transition.
    - Disparate treatment of IP-based traffic would create arbitrage incentives and opportunities.

# USF/ICC Reform (cont.)

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- A right-of-first-refusal (ROFR) for ILECs is essential.
  - Allows current subscribers to benefit from uninterrupted service.
  - Provides for the preservation and upgrading of networks that already have been deployed with implicit and explicit subsidies.

# USF/ICC Reform (cont.)

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- A ROFR is essential (cont.)
  - Recognizes that ILECs in many cases have built out networks in high-cost areas because federal and state regulation compelled them to do so.
  - Provides some constitutional protection to ILECs that have not recovered their network investment costs.

# USF/ICC Reform (cont.)

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- A ROFR is essential (cont.)
  - Sustains competitive neutrality.
    - Applies only in high-cost areas with no competitor where ILEC has deployed broadband to at least 35% of service locations.
    - In these situations, there are no similarly situated competitors.
  - Provides for technological neutrality.
    - CAF recipient can deploy any broadband technology.

# USF/ICC Reform (cont.)

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- A ROFR is essential (cont.)
  - Exceeds standard advanced in November 2009 NCTA petition.
    - ILEC funding may be challenged if unsupported competitor offers service in 75% of supported area.
  - ROFR is consistent with goal of efficient provision of broadband service.