

UNIVERSAL SERVICE AND INTERCARRIER COMPENSATION REFORM

ADDRESSING THE NEEDS OF
MID-SIZE CARRIERS

The Independent Telephone & Telecommunications Alliance
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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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- 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.
 - Most expeditious way to bring broadband to unserved areas.
 - 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 COLR network investment costs.

USF/ICC Reform (cont.)

- 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.