

Preserving the benefits of universal service in a changing regulatory climate

Global Forum
Palazzo Colona
Rome, Italy
November 6, 2003
L. Marie Guillory
Vice President, Legal & Industry



The Rural Experience

- ◆ Consistent policy choices have generated success
 - ◆ Rural Telephone Cooperatives encouraged
 - ◆ Community-based companies encouraged
 - ◆ Nationwide system of affordable service before Telecom Act of 1996



The Record

- ◆ Basic service teledensity rate trends
- ◆ Broadband deployment trends
- ◆ Multiple Technology options in rural areas



Policy Choices

- ◆ Low interest loans for infrastructure deployment
- ◆ Uniform standards for equipment and construction
- ◆ Average cost pricing for basic services
- ◆ Nationwide system of support flows
 - ◆ Affordable rates in rural, high-cost and insular areas
 - ◆ Affordable rates to low-income consumers



Policy Choices Based on Principles

- ✦ An adequate and affordable nationwide system promotes economic welfare, public health and safety and the national defense
- ✦ All areas of the nation benefit when hard to serve and high cost areas are connected to the network
- ✦ Local communities have a vested interest in providing themselves high level services



The 21st Century Challenge

- ✦ Preserving ubiquitous service in a chaotic environment
 - ✦ Threatened support flows
 - ✦ More and more technology choices
 - ✦ Timing decisions
 - ✦ Lack of quality of service regulations
 - ✦ Devaluation of local service provider benefits



Regulatory Obstacles

- ✦ The knee jerk reaction
- ✦ One size fits all
- ✦ Competition solves all service problems
- ✦ Competition works everywhere



A More Balanced Approach

- ✦ Competition results in lower prices, greater innovation and choice in urban markets
 - ✦ Dense markets yield lower prices
 - ✦ Presence of large business customers with high volume requirements
 - ✦ More prosperous population
- ✦ Rural areas are different



Addressing the Rural Difference in a Regulatory Environment

- ◆ Data analysis
 - ◆ A Case Study-Intercarrier Compensation
 - ◆ The Rural Task Force-Proxy Model
- ◆ Policy is critical-the dual mandate dichotomy
- ◆ Special exemptions for rural areas
 - ◆ Unbundled network elements
 - ◆ Other interconnection obligations



Addressing Regulatory Disparity in the Changing Environment

- ◆ Broadband Providers vs. telecommunications service providers
- ◆ Wireless Providers vs. landline providers



Arbitrage Opportunities

- ◆ Universal Service
- ◆ Tariffs
- ◆ Service Quality
- ◆ Legacy Obligations



The Importance of Regulatory Transitions

- ◆ Rapid shifts in policy create uncertainties
 - ◆ Investor risks
 - ◆ No incentive to aid the competition
 - ◆ Consumer confusion
 - ◆ Slamming
 - ◆ Public burdens
 - ◆ Escalating costs of funding multiple carriers
 - ◆ Service disruptions
 - ◆ WLNP



The Importance of Regulatory Clarity

- ◆ Definitions affect regulatory classifications
 - ◆ Ancillary fixed services provided by mobile carriers
 - ◆ Broadband Internet access provided by incumbent telephone companies
- ◆ Technology does not wait for regulations to catch up
 - ◆ IP telephony
 - ◆ Video over copper



Handle With Care



Conclusion

- ◆ Rural markets are different
- ◆ Respect for the national policy that recognizes this fact
- ◆ Competition is not a substitute for universal service
- ◆ Clear and fair regulatory policies promote the public interest

