



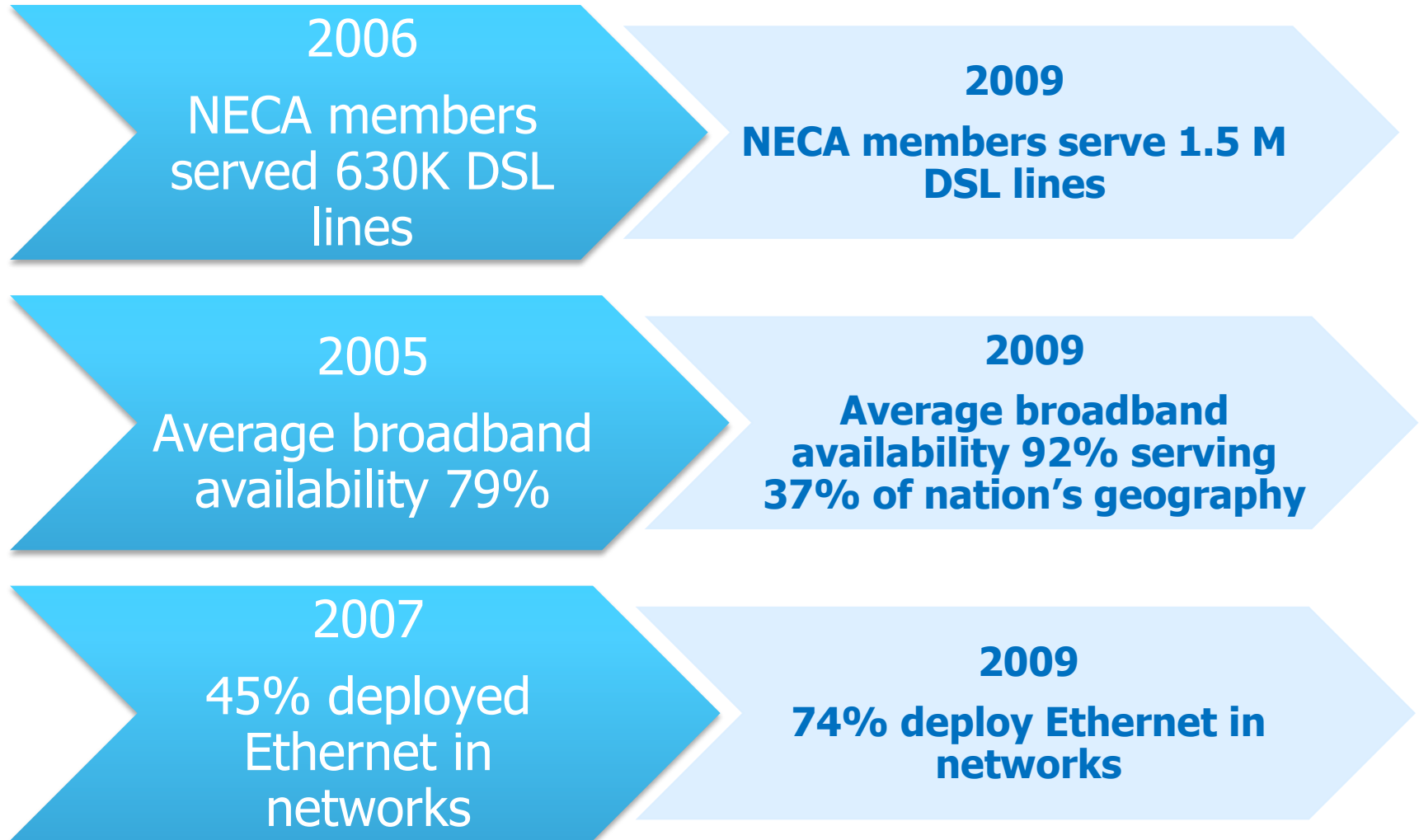
*Convergence,
Transformation &
Opportunity*

**Robert K. Eddy
NECA Chairman
WTA Spring Meeting
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Convergence, Transformation & Opportunity

- Converging technologies expanding opportunities for traditional landline telephone companies
- NECA members transforming rural telephone network into all-packet broadband infrastructure
- Also looking out for customers' future needs
- However, rural carriers face significant challenges serving customers in high-cost, low-density markets

Convergence, Transformation & Opportunity



NECA's Positions Filed at FCC

- Opposed USF “reverse auctions”
- Advocated for cost-based rates and unique circumstances of small rural carriers
- Advocated to confirm application of access charges to interconnected VoIP traffic
- Made call signaling proposal
- Met with Obama transition team

VoIP & Net Neutrality Advocacy

- VoIP
 - Supported petition seeking assessment of universal service charges on nomadic VoIP
 - Asked FCC to address access charges and IP-enabled traffic
- Net Neutrality: Any prohibitions against discrimination should not exceed “unjust and unreasonable” standard set forth in section 202(a) of the Communications Act
 - FCC must be careful not to foreclose development of optional value-added services

Broadband Advocacy

- Recommended broadband funding in rural areas be limited to one fixed and one mobile broadband
- USF support for broadband networks
- Provided data on second and middle mile costs
- ICC and USF have enabled rural RoR companies to upgrade to multi-use, broadband-capable networks.

National Broadband Plan

- NECA's Analysis
 - Presents both issues and opportunities
 - If all recommendations adopted could threaten viability of many rural carriers
 - However, plan should be seen as a work in progress
- Our goal: Assure reform efforts promote and do not harm broadband availability and adoption in rural America

NBP and NECA Concepts

Role of Rural ILECs in Deploying Broadband

NBP:

Recognizes RLEC successes, but does not view networks essential

NECA:

RLEC “multiuse networks” essential to achieving national BB goals

NBP and NECA Concepts

Elimination of Rate of Return Regulation

NBP:

Freezes ICLS support & contemplates forcing all RoR carriers to incentive regulation

NECA:

RoR has been instrumental in meeting the Nation's broadband needs and can continue to do in the future

NBP and NECA Concepts

Calculation of Support

NBP:

Recognizes need to examine middle mile pricing in USF/ ICC reform

NECA:

New funding mechanism should support end user to Internet backbone

NBP and NECA Concepts

Support Transition for ILECs

NBP:

Assumes CAF independent of existing mechanisms; existing payments phased out

NECA:

“Consumer-driven” approach with new fund including 2nd mile, middle mile & connection costs

NBP and NECA Concepts

Contribution Mechanism

NBP:

Endorses broadening contribution base; doesn't address connections vs. revenues

NECA:

Supports expansion of contribution base to include all broadband services

NBP and NECA Concepts

Intercarrier Compensation Reform

NBP:

Recognizes role of ICC; reduces intrastate charges to interstate levels; per-minute rates eliminated by 2020

NECA:

ICC reform necessary; rates need to be lowered and unified on per company or pool rate band basis; encouraged reasonable rate level

Associations Working Together

- NECA hosting meetings
- Alliance includes WTA, OPASTCO, Rural Alliance, NTCA & NECA
- Goal: Develop unified rural response to National Broadband Plan
- Proposed strategy
 - Identify ways to help the Commission achieve universal broadband service in rural America
 - Identify alternatives to NBP recommendations to assist rural RoR carriers in achieving broadband goals for rural consumers

Areas of Agreement

- Demonstrate the value of rate of return regulation
- Encourage rapid modification of USF contribution method to broaden base of contributors
- Demonstrate important role of RLEC multi-use networks
- Demonstrate importance of actual RLEC costs
- Encourage rapid confirmation of application of current ICC charges to VOIP; address phantom traffic

Topics Nearing a Unified Position

- Use of entire study area vs. market failure areas in calculating funding requirements
- Treatment of ISP services and revenues
- Detailed method for expanding USF contribution base
- Treatment of per minute switched access charges

NECA will continue to help

- More data analysis
- Work with consulting firms to seek confirmation of data assumptions
- Assist Rural Associations with activities related to pending rulemakings
- Coordinate and host follow up meetings
- Collaborate with other Rural Associations to pursue a unified rural response, which is the key to success for Rural RoR ILECs

How can you help?

- Get involved and express views on these important issues
- Encourage your associations to work together to develop a unified rural response.



Thank you!