



Telecommunications Deregulation: Updating the Scorecard for 2013

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September 10, 2013



Legislation at a glance

- 27 states have reduced or eliminated commission oversight
- First wave of legislation focused on limiting retail oversight
 - 11 states eliminated or significantly limited basic service and COLR requirements
 - ✦ Basic service requirements in non-competitive areas only
 - ✦ Carriers may use any service (wireless, wireline, VoIP) to meet requirements
 - Oversight of quality of service, customer complaints, billing, limited or withdrawn altogether
 - ✦ Customers can “vote with their feet”
 - ✦ Complaint process moved to other state agencies
- 2013 legislation focuses on removing oversight of VoIP and IP-enabled service
- Commission retains oversight of ETC designation, 911, intrastate access, TRS, and wholesale requirements (including interconnection)



Legislation spans all former ILEC regions

- Legislation has passed in 20 of the 22 states where AT&T is the primary wireline carrier
 - Legislation eliminating COLR requirements failed in Kentucky
 - Legislation limiting commission oversight to basic service only failed in Connecticut
- Legislation growing in the 13 states where Verizon is the primary wireline carrier
 - 5 states in the Verizon wireline footprint have passed legislation removing or limiting oversight
 - Legislation in Delaware eliminates COLR obligations, allows carriers to abandon “competitive offerings” without notice, and eliminates regulatory assessments

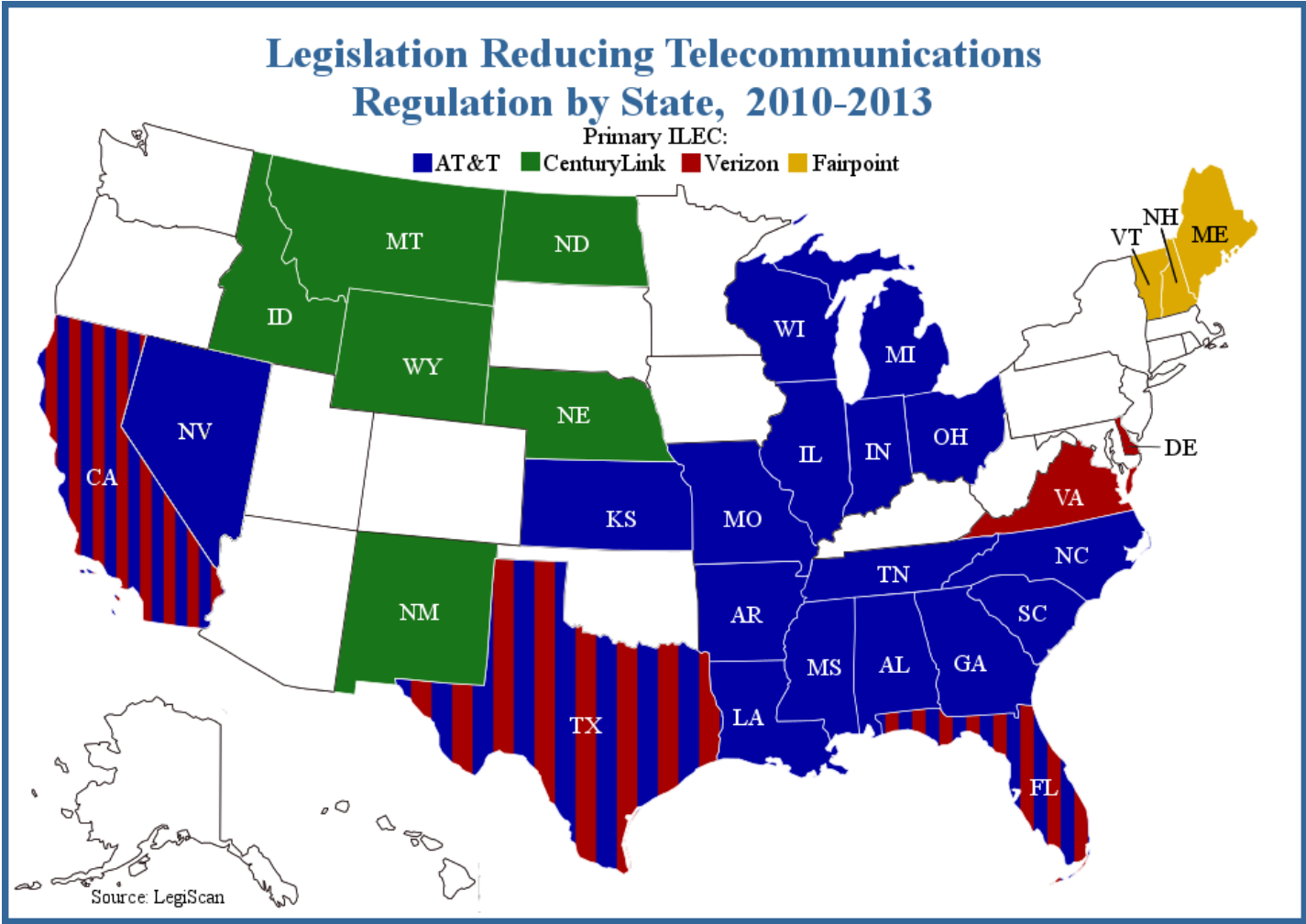
- 6 states in legacy Qwest's 14 state local service territory have reduced or eliminated oversight
 - Legislation in Arizona would have removed all oversight of IP services, including market entry and exit
 - Legislation in CO would have removed IP oversight and deemed all "new" products unregulated
 - Iowa Utilities Board studying changes to regulation, including COLR
- FairPoint has been "de-regulated" in Northern New England



Legislation reduces or eliminates commission oversight

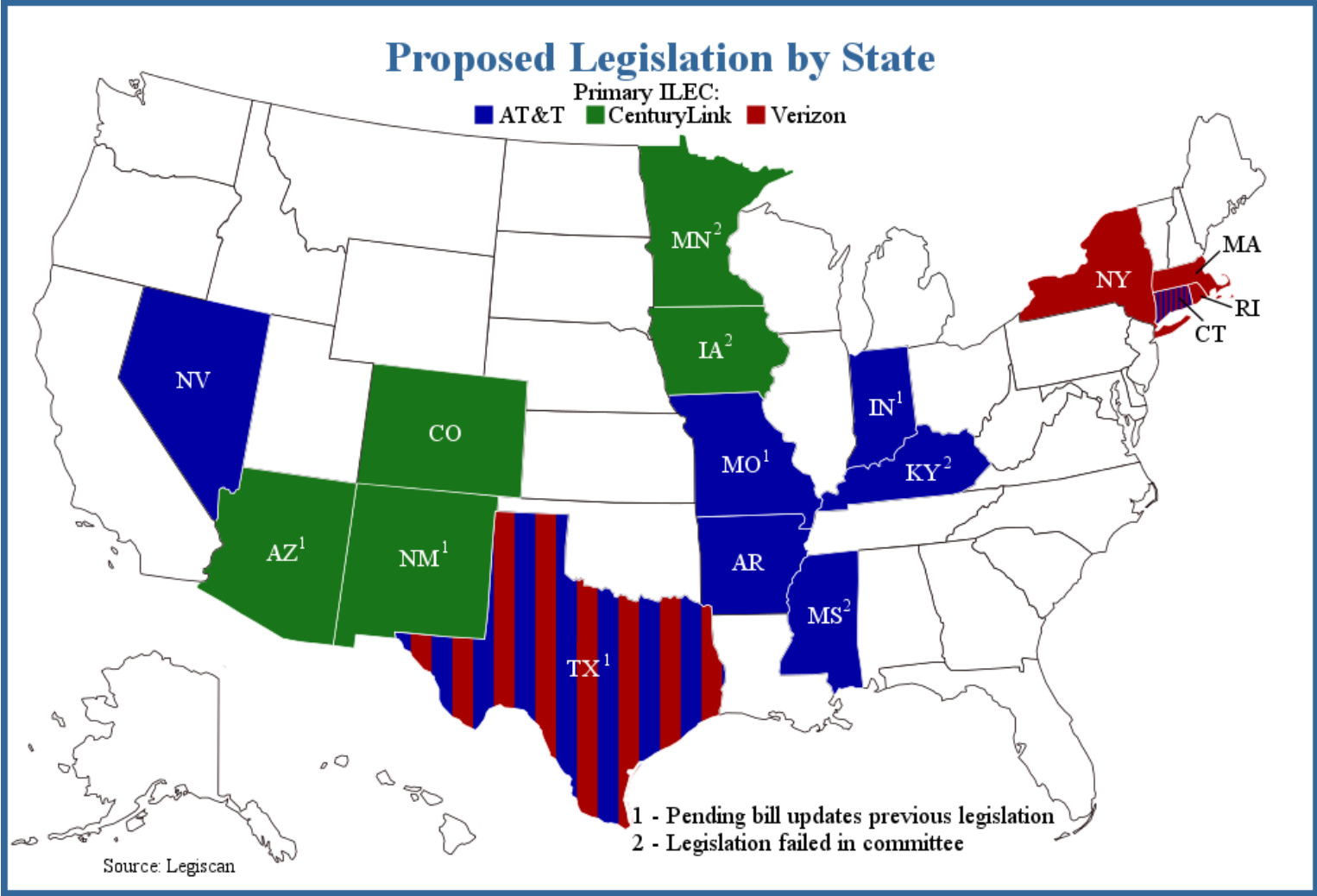
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Current Legislation



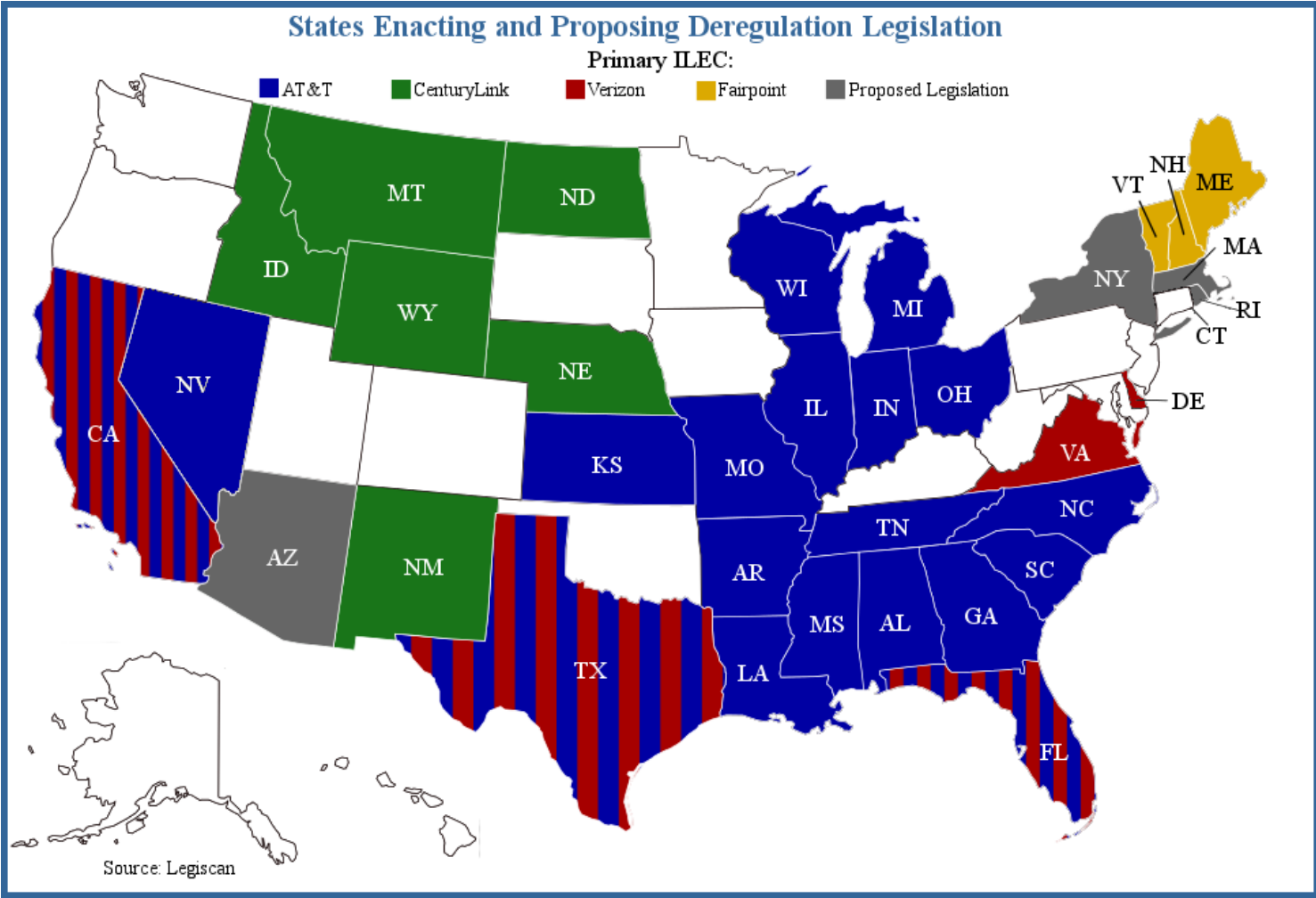


Proposed Legislation by State





The Potential “De-regulated Landscape”





What will these changes mean?

- Technology is bringing new choices
 - VoIP
 - Wireless
 - “Other” IP-enabled services
- Deregulation is limiting commission support/responses
- Consumers are caught in the middle



Key Questions for Companies and Regulators Going Forward

- Could collaboration among regulators, companies, and consumers become a viable substitute for regulation?
- How do we determine whether competition is a viable substitute for regulation?
 - Initial bills require a specific number of competitors to declare a market no longer regulated
 - What do we do if some or all of those competitors leave the market?
 - Do we need a process to track the level and success of competition on an on-going basis?
- Do we need a back-up plan?
 - How do we ensure the universal availability of service without COLR requirements?
 - What do we do if the primary carrier (ILEC, cable company) withdraws from the market?
- Do we need a new focus on network reliability?



The Principles of Cooperative Federalism

1. **Consumer protection**: ensure that users are protected from unfair or illegal practices (including cyber threats) and that their privacy is maintained.
2. **Network reliability and public safety**: ensure that all communications networks are reliable and available, regardless of technology.
3. **Competition**: The states are well positioned to work with all stakeholders to ensure robust competition and customer choice.
4. **Interconnection**: Networks must remain interconnected on a non-discriminatory basis.
5. **Universal Service**: The states and the FCC should work together to ensure that service is reliable, affordable, and ubiquitous.
6. **Regulatory diversity**: Regulation should be functional across technologies and developed after reviewing and evaluating constitutional and statutory state and federal roles and exploring multiple points of view.
7. **Evidence-based decision making**: Evidence based decision making should be the primary tool in reforming regulatory policies.
8. **Broadband access, affordability, and adoption**: States have a key role in implementing broadband deployment and protecting consumers.