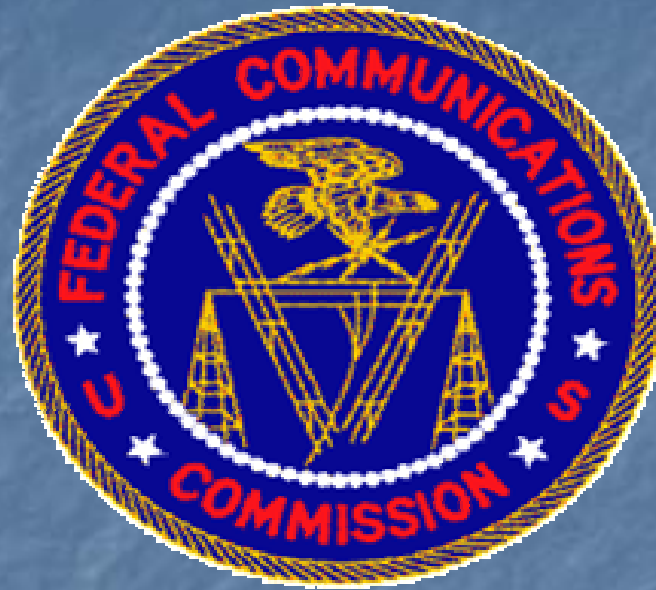


# FCC: LOOKING FORWARD



Commissioner Kevin J. Martin  
NARUC Telecommunications  
Committee  
July 28, 2003

# Four Topics

- Local Competition
- Broadband Deployment
- Universal Service
- Upcoming Issues

# Local Competition

- Triennial Review
  - Balanced Regulations
    - encourage investment;
    - preserve local competition
  - Competition first, then deregulation
  - Accomplish these goals –consistent with the Statute and Court rulings.

# Local Competition

- Triennial Proceeding
  - Federal/State Partnership
  - Specific Criteria

# Local Competition

- Performance Measures
  - Clear standards for enforcement
- Numbering Reform
  - Granted Conn. DPUC petition to implement specialized overlays
  - California Numbering Petition - pending



# Local Competition

## Section 271 Process

- Markets are opening, competition is increasing
- January 2002
  - 9 states approved
  - 28.5% of RBOC access lines
- July 2003
  - 42 states approved - - (5 applications pending)
  - Over 83% of RBOC access lines

# Local Competition

- Total CLEC Lines
  - 2003 -- 24.8 million
  - 2002 -- 19.7 million

26% Annual Increase

# Local Competition

## TELRIC Pricing

- Triennial Review -- Clarifies two key components of TELRIC pricing rules
  - Risk adjusted cost of capital used in calculating UNE prices should reflect the risks associated with a competitive market.
  - Use of an accelerated depreciation mechanism may present a more accurate method of calculating economic depreciation



# TELRIC

## TELRIC Review

- 1996 Local Competition Order -- review pricing rules and issue additional guidance as necessary

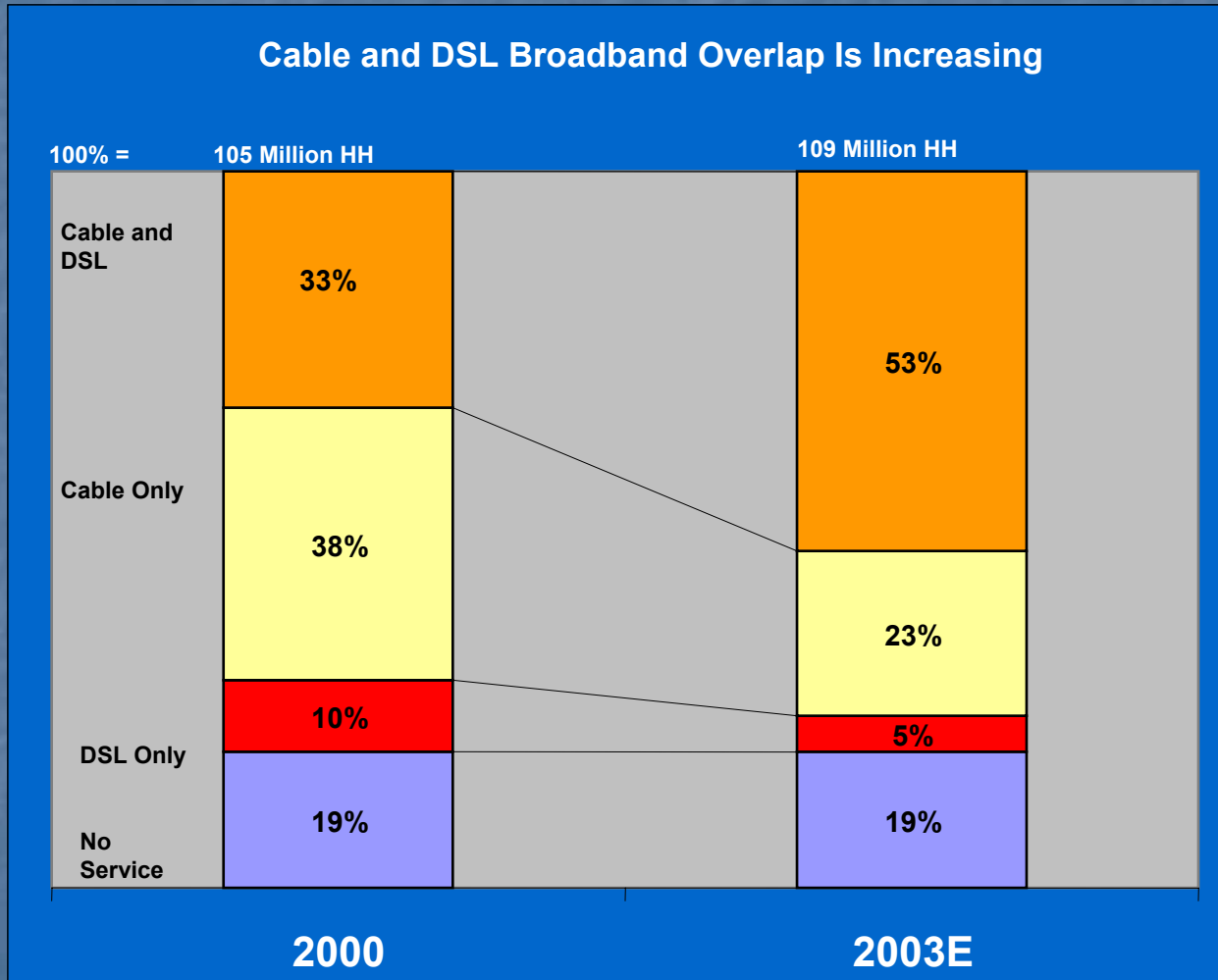
Need to ensure that forward-looking UNE prices reflect real-world attributes of an existing network

## Verizon Forbearance Petition

# Broadband

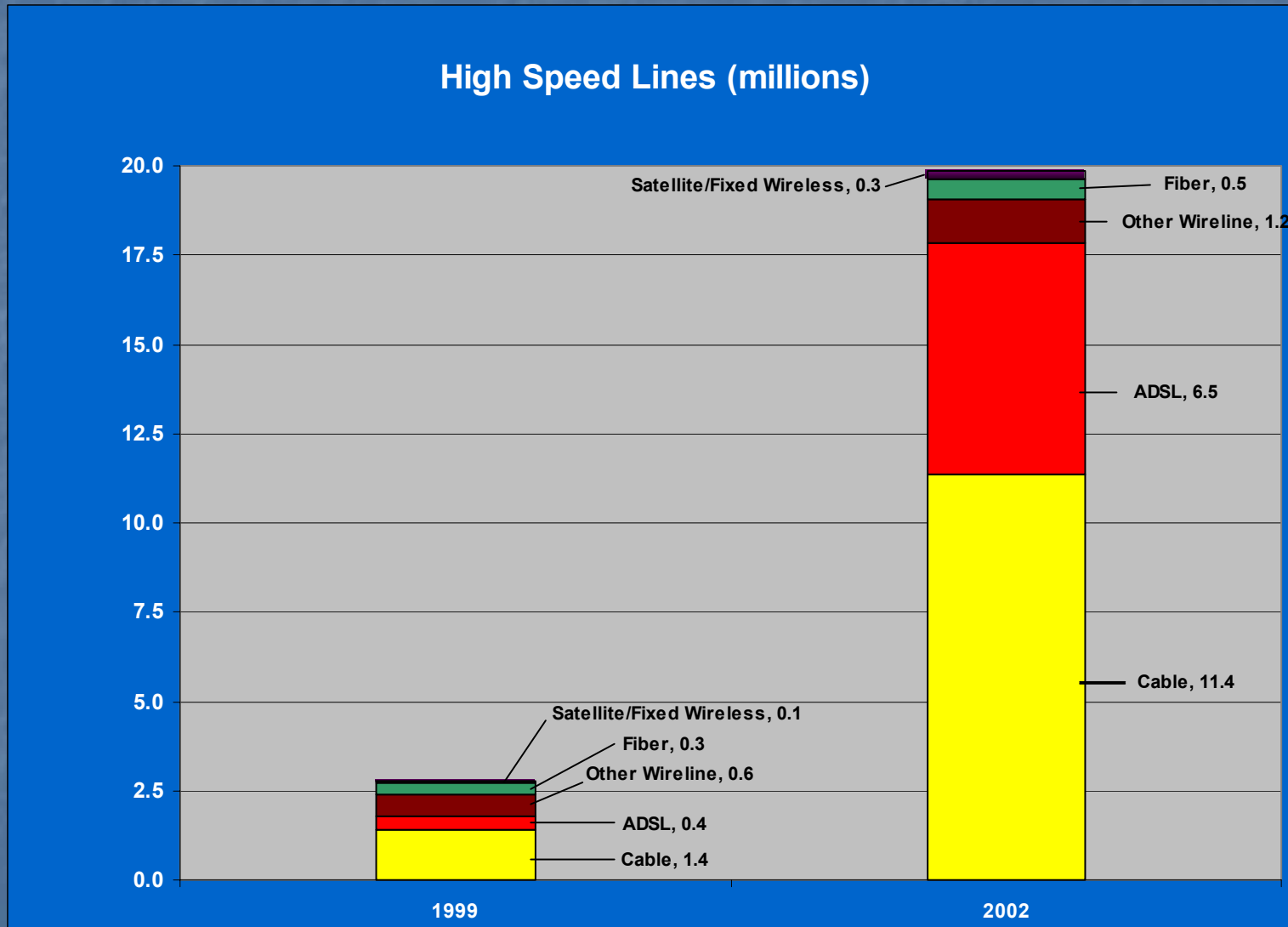
- Next Generation Networks/Triennial Review
  - Removed Unbundling Obligations for new technologies
- Statutory Definition
  - Information Service Classification – Wireline Broadband Proceeding
  - Regulatory Parity – Cable Modem Service

# Cable/DSL Availability Overlap



Source: JPMorgan "Broadband 2003" – December 5, 2002

# High Speed Line Growth 1999-2002



Source: FCC Data – High Speed Services for Internet Access: Status as of December 31, 2002 (released June 2003)

# Population and Broadband

## Top 5 States - # of BB Subscribers (mil)

1	California	3.0
2	New York	2.0
3	Florida	1.4
4	Texas	1.3
5	Illinois	0.7

## Top 5 States - BB penetration

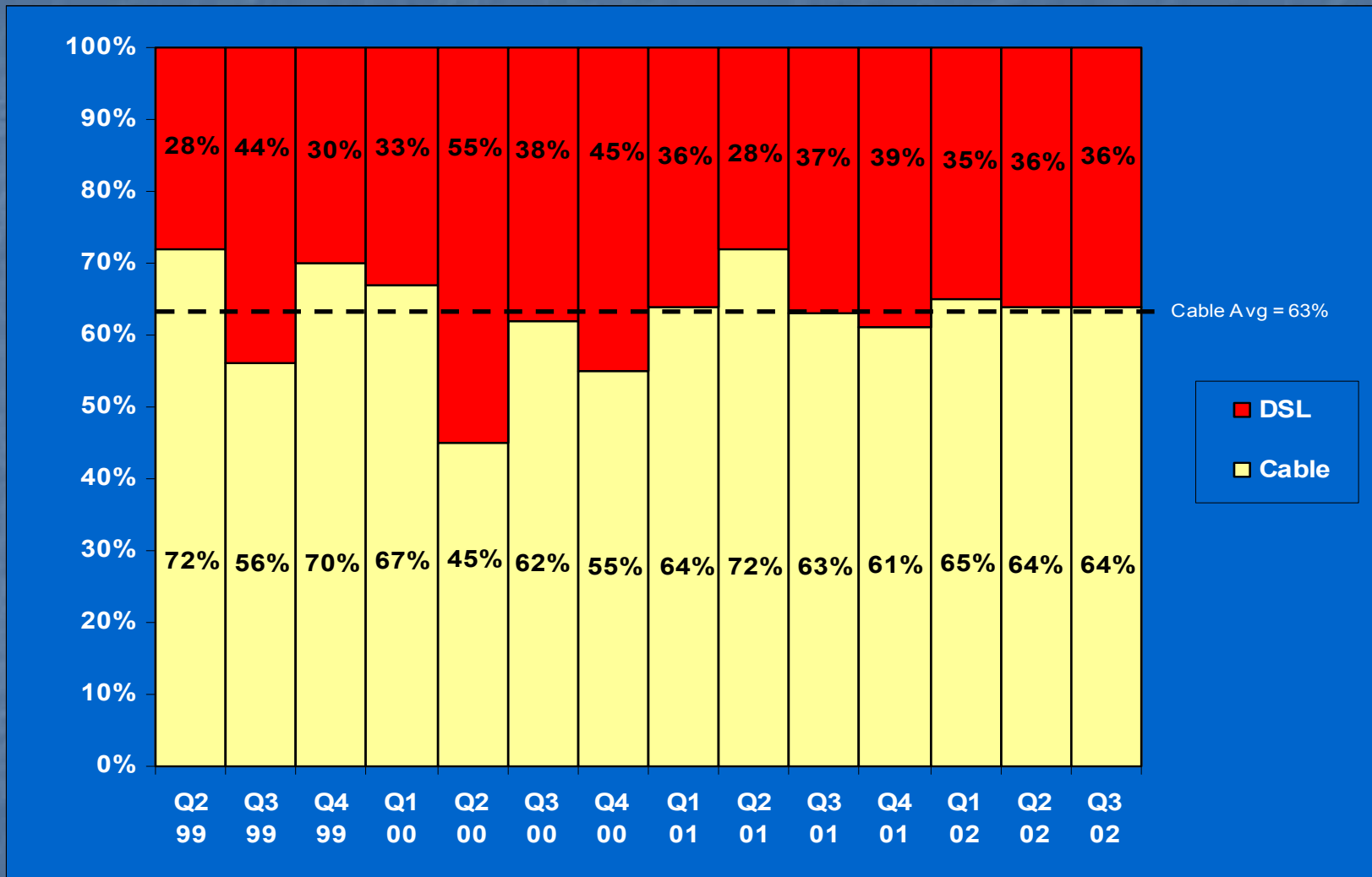
1	Massachusetts	24%
2	New Jersey	23%
3	California	23%
4	Washington, DC	22%
5	Alaska	21%

Source: FCC Data – *High Speed Services for Internet Access: Status as of December 31, 2002* (released June 2003)

Telephony “Carriers Fill out the Nation with Fiber” - April 7, 2003

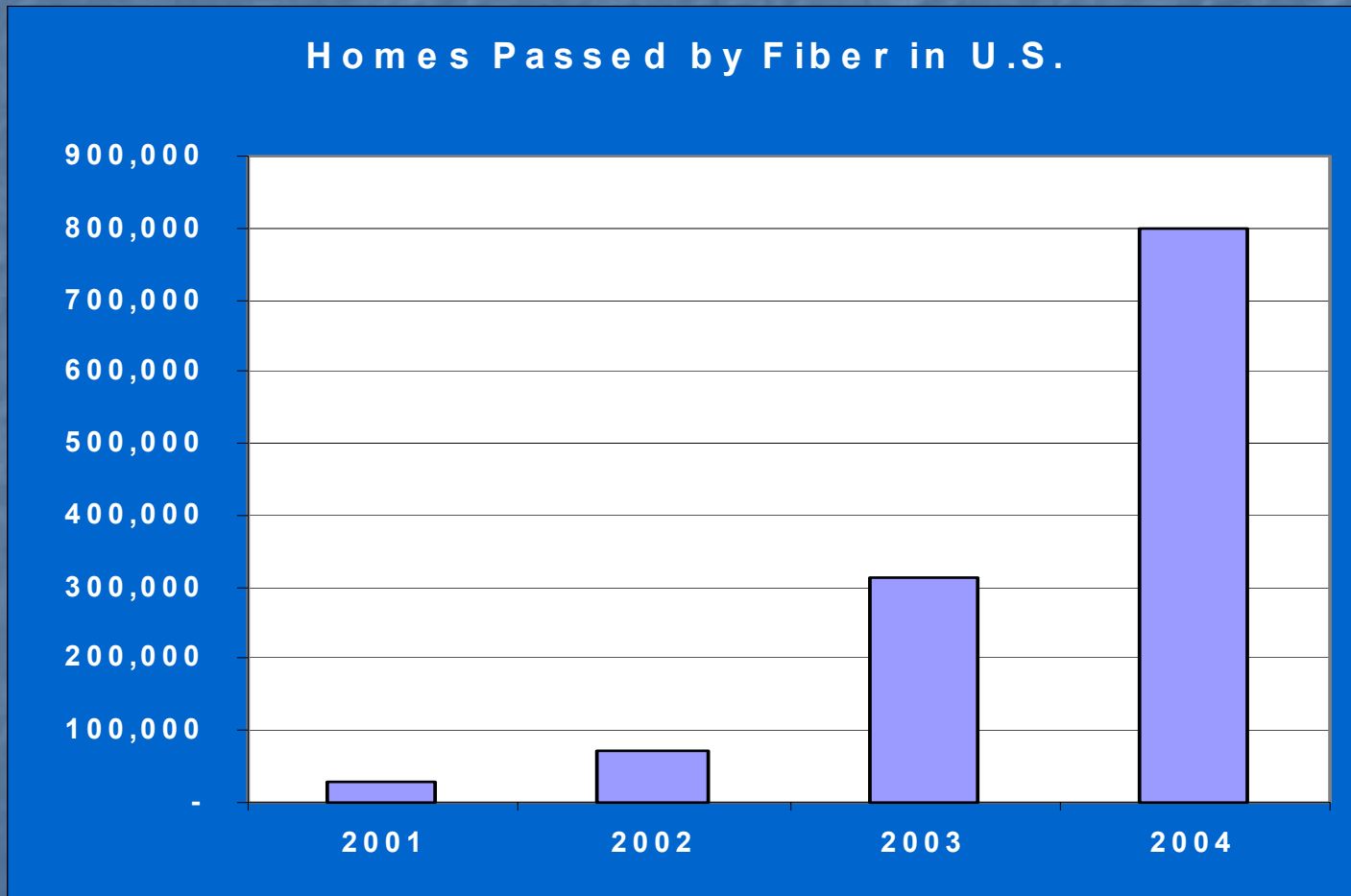


# Historical Residential Broadband



Source: JPMorgan "Broadband 2003" – December 5, 2002

# FTTH



Source: *Render Vanderslice & Associates, FTTH Council*

# States with FTTH Deployment



Source: Telephony "Carriers Fill out the Nation with Fiber" - April 7, 2003

# Broadband

- Power Line Carrier Technology
- WIFI
- Satellite

# Universal Service: Progress Continuing

- Highest-Ever Level of Telephone Penetration in Households: 95.5%
- Highest-Ever Level of Internet Access in Public School: 99%
- Highest-Ever Level of Funding to Rural Hospitals: 72% increase



# Universal Service

- Post 1996 – FCC Universal Service Policy
  - Contributions based on interstate telecommunications revenues
  - Different support systems for rural and non-rural carriers
  - Competitors' support based on ILEC costs

# Universal Service

## Changing Market

- Declining Wireline Interstate Revenues
- Increased substitution (e.g. Wireless)
- Migration to new technologies (e.g., VOIP)

# Universal Service

- Contribution Methodology
- Definition of Supported Services
- Portability of Support

# Universal Service

- n Contribution Methodology Proceeding
- n FCC seeks comment on 3 approaches
  - Retaining revenue based regime
  - Telephone number based system
  - Connections based approach

# Universal Service

- n Potential Benefits of Telephone Number-based Contribution System
  - FCC Authority
    - FCC has no intrastate jurisdiction (5<sup>th</sup> Circuit decision)
    - FCC has exclusive jurisdiction over numbering resources
  - Relative Ease of Administration
    - Telephone numbers are stable and growing
    - Easy to administer and well understood by consumers
    - Similar to connections based proposal, special access and private lines w/out numbers could continue to be assessed based on their end user connections



# Universal Service

- Captures migration of traffic to different platforms in a technology neutral manner.
  - Would not require contributions from any provider other than a provider of telecommunications service
- Promotes and enhances number conservation
  - Could distinguish between assigned/working numbers and assigned/non-working numbers

# Upcoming Issues

## National Do Not Call Registry

- n Last month, FCC (in coordination with FTC) established a national Do-Not-Call Registry.
  - Covers interstate and intrastate telemarketing
  - Registration has begun (on-line, telephone)
    - Over 23 million telephone numbers have been registered
  - Enforcement begins on October 1

# Upcoming Issues

## Wireline Competition – 2003-04

- Intercarrier Compensation
- VOIP –AT&T Petition & Pulver Petition (4<sup>th</sup> Qtr 2002)
- Wireless LNP