FCC NEWS from the Federal Communications Commission

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For Immediate Release

FCC PROPOSES MODERNIZING RULES FOR SMALLER CARRIERS' BUSINESS DATA SERVICES

Proposal Would Reduce Burden, Reward Innovation, and Spur Competition

WASHINGTON, April 17, 2018—The Federal Communications Commission today proposed modernizing rules governing business data services (BDS) for certain small rural carriers, known as Alternative Connect America Model, or A-CAM, carriers.

The FCC is seeking comment on allowing A-CAM carriers to voluntarily migrate their lower speed time division multiplexing (TDM) services from rate-of-return regulation to price-cap, or incentive, regulation, which would encourage more efficient operation and allow carriers to avoid expending resources on regulatory compliance. In this way these proposed rules would reduce regulatory burdens and reward productivity, which can lead to further innovation, entry, and competition in the market for BDS to the ultimate benefit of consumers.

Business data services provide dedicated, reliable, secure connectivity for businesses, non-profits, and government institutions. BDS is essential to the production and delivery of goods and services across the economy, from connecting bank ATM networks and retail credit card readers to providing businesses with Internet access and links to branch offices.

A-CAM carriers are rural carriers whose pricing was historically governed by rate-of-return regulation: they reported costs annually to the FCC, and were allowed a rate-of-return, set by the FCC, on those costs. Revenue sources for rate-of-return carriers include interstate access charges paid by other carriers, support from the FCC's Universal Service Fund (USF) for high-cost rural areas, and customer rates. However, in 2016, over 200 rate-of-return carriers opted to base their level of universal service support on an FCC model—the Alternative Connect America Model—rather than costs, leaving only their business data services under cost-based regulation.

Under today's proposal, A-CAM carriers that migrate to incentive regulation for their lower speed TDM BDS would no longer need to conduct expensive and time-consuming cost studies. The Notice also seeks comment on the elimination of ex ante pricing regulation for packet-based and higher speed TDM BDS. In addition, the Notice seeks comment on designing a competitive market test in A-CAM areas to determine where competition is available and whether there should be further relief from ex ante pricing rules for lower speed TDM BDS in areas deemed competitive. Finally, the Notice proposes allowing other rate-of-return carriers receiving fixed support to opt into this same regulatory paradigm.

Under the proposal, BDS pricing would remain subject to statutory mandates requiring the FCC to ensure that rates, terms, and conditions of service are just, reasonable, and non-discriminatory.

Action by the Commission April 17, 2018 by Notice of Proposed Rulemaking (FCC 18-46). Chairman Pai, Commissioners Clyburn, O'Rielly, Carr and Rosenworcel approving. Chairman Pai, Commissioners Clyburn, O'Rielly, and Carr issuing separate statements.

WC Docket No. 17-144

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