

“The Evolution of the State/Federal Partnership in a Broadband World”

FCC Field Workshop on Modernizing Universal Service for Broadband

Omaha, Nebraska, May 18, 2011

Doug Garrett, Executive Director, Regulatory Affairs, Cox Communications, Inc.

State regulators have been, and will remain, important partners in achieving the goals of the NBP and reform of universal service and intercarrier compensation.

- State regulators have played a critical role in enforcing inter-carrier contracts and agreements and terms of interconnection on the PSTN. This role remains critical as long as incumbent LECs continue to have the ability and incentive to slow the effects of competition.
- State regulators fulfill critical oversight and coordinative roles, particularly during significant transitions in technology at both the network edge and the network core.
- Oversight and coordination is important to ensure a smooth transition during efforts to redirect high cost funds from traditional telecommunications to broadband services.
- States may have a role in ensuring that CAF funds are deployed correctly and targeted toward bringing broadband to unserved communities without waste and duplication of effort.

The ongoing shift in technology to IP has created and will create stresses in the inter-carrier compensation system, which federal *and* state regulators must take into account as we work through the transformation of the existing system.

- The current system will need to shift to one where each provider recovers its costs primarily from its own customers, which will change intercarrier compensation revenues and rates.
- Regulators will likely have a role in re-establishing the rules of engagement for the telecommunications industry during the transition to IP-based interconnection and perhaps well afterward.

We believe clear federal policy is needed to achieve the reforms outlined in the NBP and the FCC’s NPRM.

- A nationally coordinated transition is the only way to achieve fair evolution of the USF to CAF and to solve the well-documented problems with ICC, including arbitrage.
- The FCC is in the position to balance the competing interests between states and categories of industry competitors.
- Achieving a successful transition of USF and ICC would best come through partnership between federal and state efforts, but ultimately the FCC must be prepared to create strong incentives for states to act in concert to achieve national goals and keep the size of the CAF reasonable while advancing affordable broadband deployment.

What can state regulators do to advance the goals of the NBP and USF/ICC reform?

- Make it easier and faster for competitors to become ETCs when they want to compete for CAF funds in targeted high-cost areas.
- Prevent potential double-dipping for subsidies, both during the transition from USF to CAF, and in conjunction with state high-cost or broadband deployment funds.
- Eliminate traditional COLR status where it still remains and where competition has resulted in deployment of multiple voice and broadband service providers. COLR obligations make little sense in a multi-provider environment.