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FCC Panel: Targeting Support & Transitioning to the Long Term Connect America Fund
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TDS Telecommunications Corporation (TDS) operates 120 rural, rate-of-return incumbent local exchange companies in small communities in 28 states. TDS Telecom has built out and been able to maintain a broadband network serving the vast majority of its customers through utilizing the types of support mechanisms (Federal Universal Service funding and Intercarrier Compensation) that are targeted for modernization in this proceeding

- ❖ What problem are we trying to solve?
 - Removing support where there is a competitor; or
 - Providing support only to those high cost areas where a business case doesn't exist without the support
- ❖ Targeting support in ROR areas
 - Today support is "averaged" over a study area
 - By definition, two areas exist: one where costs are below study area average and one where cost is above the study area cost
 - If there is a cap on overall support, then separating these areas into "supported" and "non-supported" areas will require cross-subsidy from "below average cost" area to the above cost area
- ❖ Targeting support only to areas where "customer" revenues alone do not support business case
 - Initial deployment vs. ongoing expense must be looked at differently
 - Support for capital spending is easier to target than support for ongoing operations and maintenance
 - Business case analysis will worsen without appropriate public policy decisions
 - Decline of intercarrier compensation rates without an offsetting recovery mechanism will push more areas into the status of "no viable business case"
- ❖ Targeting support to where there is no wireline (cable) voice and broadband competition
 - Fails to recognize that there are different cost structures and different obligations among providers
 - Providers with no obligations build to their business case
 - Providers with COLR obligations built, as required, to their study areas
 - Determining support level would be a moving target as competitors decide where to serve
- ❖ Under either targeting approach, ROR carriers' costs are maintained at a study area level, not at a sub-wire center level
- ❖ Disaggregation and COLR responsibilities
 - If support is targeted to only a specific part of a company's service area, then the remaining area should be relieved of all COLR responsibilities
 - Since most COLR responsibilities involve state regulation, states would need to be involved in the decision and implementation
- ❖ ROR carriers already have "targeted" support to the extent that their costs are specific to individual service areas and not averaged across the state
- ❖ Conclusion – policymakers should be clear on the problem targeting solves for ROR companies in order to determine if the benefit is worth the cost