

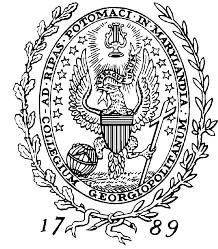


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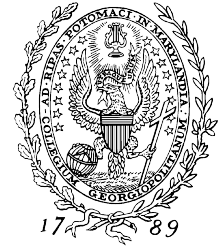
USF/ICC Reform

IIT RTC Conference 2011

Universal Service Fund (TRA 1996)



- + Promote the availability of quality services at just, reasonable and affordable rates for all consumers
- + Increase nationwide access to advanced telecommunications services
- + Advance the availability of such services to all consumers, including those in low income, rural, insular, and high cost areas at rates that are reasonably comparable to those charged in urban areas
- + Increase access to telecommunications and advanced services in schools, libraries and rural health care facilities
- + Provide equitable and non-discriminatory contributions from all providers of telecommunications services to the fund supporting universal service programs



USF Funding

- + Percentage of interstate end-user revenues
- + Set quarterly to meet needs of USF
 - + Total USF needs / Total estimated wireline end-user revenues

	Q1	Q2	Q3	Q4
2011	15.5%	14.9%	14.4%	15.3%
2010	n/a	5.7%	5.5%	5.6%

- + \$1.7B collected in 2000
- + \$4.7B collected in 2010



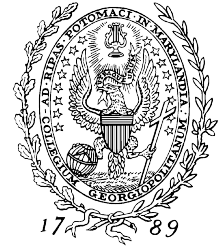
USF Issues

- + \$4.5B Fund
- + Assumes the only interesting thing is POTS calls
- + Assumed POTS revenues are increasing
 - + Note both numerator & denominator change and impact fees
- + Money does not go where you think it does
 - + E.g., Advanced telecom services is not necessarily broadband

Inter-Carrier Compensation: Follow the Money

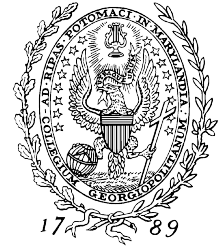


- + Assumed that long distance subsidized local calling
- + Where the call begins and ends
 - + Local or long distance
 - + Interstate or intrastate
- + Type of carrier
 - + Incumbent local carriers
 - + Competitive local carriers
- + Long distance providers
- + Wireless carriers
- + Type of traffic
 - + Wireline voice calls
 - + Wireless calls
 - + Data bound for an Internet service provider



ICC Issues

- + Long-distance / local split irrelevant
- + Bizarre arbitrage situations
- + Chairman Genachowski: "Perverse incentives"



What is it?

- + Access Charges
 - + Inter-LATA
 - + If interstate, set by FCC
 - + If intrastate, set by states
 - + ISPs have explicit exemption

- + Reciprocal Compensation
 - + Same local calling area
 - + Varies from \$0.00 to \$0.30



Thank You

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