



ALABAMA TELECOMMUNICATIONS REGULATION PLAN

AT&T Remarks

August 24, 2004 Workshop

TELECOMMUNICATIONS REGULATION IN ALABAMA

• *Objectives of 1995 Plan*

- *Create environment in which fair and effective local competition flourishes*
- *Encourage the introduction of new technology and modern services in all areas of Alabama*
- *Protect customers from unjust prices and deterioration of service quality*
- *Establish price regulation procedures that allow PSC to fulfill regulatory responsibilities during transition to competitive local market.*
- *Ensure universal access to telephone service*
- *Streamline regulatory procedures that may encumber new entrants and incumbents in the transition to competitive market*
- *Develop a plan which is dynamic and capable of responding to changes in legislation, new ideas, and evolving market conditions*

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ALABAMA TELECOMMUNICATIONS REGULATION PLAN

- *Regulation Must Be Tailored To Market Power*
 - *In general, the regulation of new entrants should be used sparingly, and only when necessary.*
 - *Regulation is necessary, and its costs properly incurred, to control the conduct of carriers that possess market power, because the marketplace cannot discipline such carriers.*
 - *Regulatory framework applied to all carriers on the basis of their relative market power.*

ALABAMA TELECOMMUNICATIONS REGULATION PLAN

- *Parity in Regulation is Inappropriate Where ILECs Hold Market Power*
 - *If local competition grows, it would be reasonable for ILEC regulation to move to a less regulated or a non-dominant regulatory regime.*
 - *It is inappropriate for CLECs to be regulated in the same manner as ILECs.*
 - *Regulation is only required when the market is unable to discipline firms engaging in anti-competitive behavior or to achieve public policy objectives*

TELECOMMUNICATIONS REGULATION IN ALABAMA

- *Per Marvin H. Kahn Report commissioned by AG office*
 - *“The PSC should attempt to provide flexibility consistent with the extent of competition. Competition has not yet emerged in the residential market segment, as Bell retains a dominant market share.”*
 - *“An appropriate regulatory framework is one that grants LECs flexibility with the extent of competition in the marketplace.”*

TELECOMMUNICATIONS REGULATION IN ALABAMA

- *Per Marvin H. Kahn Report commissioned by AG office*
 - *“However, it is essential to recognize that ‘open to competition’ is not the same as ‘competitive.’ Removing barriers to entry is a necessary first step in the move from monopoly to competition, not its culmination.”*

TELECOMMUNICATIONS REGULATION IN ALABAMA

- *How well has the '95 Plan Worked?*
 - *Somewhat ... Two questions to ask as indicator*
 - *Have consumers been hurt by the 1995 plan?*
 - *Has competition flourished?*
- *Status - 9 years later*
 - *BellSouth has 271 approval to provide LD*
 - *Local competition remains limited*
 - *CLEC share 13% of mass market*
 - *Winback rate of ¾ of “lost” customers*



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- *Major Problems*
 - *Unbundling obligations*
 - *Unnecessary regulation on IXC's & CLECs*
 - *Access charges*

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- *The IXC industry*
 - *In less than two years BellSouth claims 40% penetration in mass market*
 - *Access reductions required before providing ILECs further relaxation of regulation*
 - *IXCs at disadvantage compared to ILEC LD providers*
 - *Some ILECs not compliant with 1995 plan*
 - *IXCs should not be subject to added regulation*
 - *E.g. IXC reporting payphone service provider data*

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- *Non-compliance with 1995 order should not be rewarded*
 - *BellSouth and Century Tel are not compliant with the 1995 plan requirements*
 - *New plan “blesses” existing switched access prices*
 - *ILECs should be required to comply with 1995 Order before implementing any new plan*

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- *1995 Plan requires BellSouth*
 - *At the end of the initial five (5) year period of the plan, intrastate switched access prices and structures (on a rate element basis) will continue to be capped at the lower of the intrastate rates in effect on July 1, 1999, or the effective interstate prices and structures approved by the FCC. Ultimately, however, the rates for intrastate access and interstate access should be the same.*
- *BellSouth intrastate access capped at interstate access in GA and KY*
 - *AL intrastate rate ~ 1.6 cents*
 - *GA intrastate rate ~ 1 cent*
 - *KY intrastate rate ~ 1 cent*

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- *1995 Plan requires Century Tel [GTE]*
 - *After July 1, 1998, intrastate access rates will be capped at the lower of \$0.064 per minute (for two ends of access) or GTE's interstate rates.*
- *Current Century Tel rates*

CenturyTel of Northern Alabama			
		State	Interstate
Originating CCL	\$	0.0100000	\$ -
Terminating CCL	\$	0.0153652	\$ -
Local Switching		0.01379	0.0032696
CenturyTel of Southern Alabama			
		State	Interstate
Originating CCL	\$	0.0100000	\$ -
Terminating CCL	\$	0.0128842	\$ -
Local Switching	\$	0.0108912	\$ 0.0016401

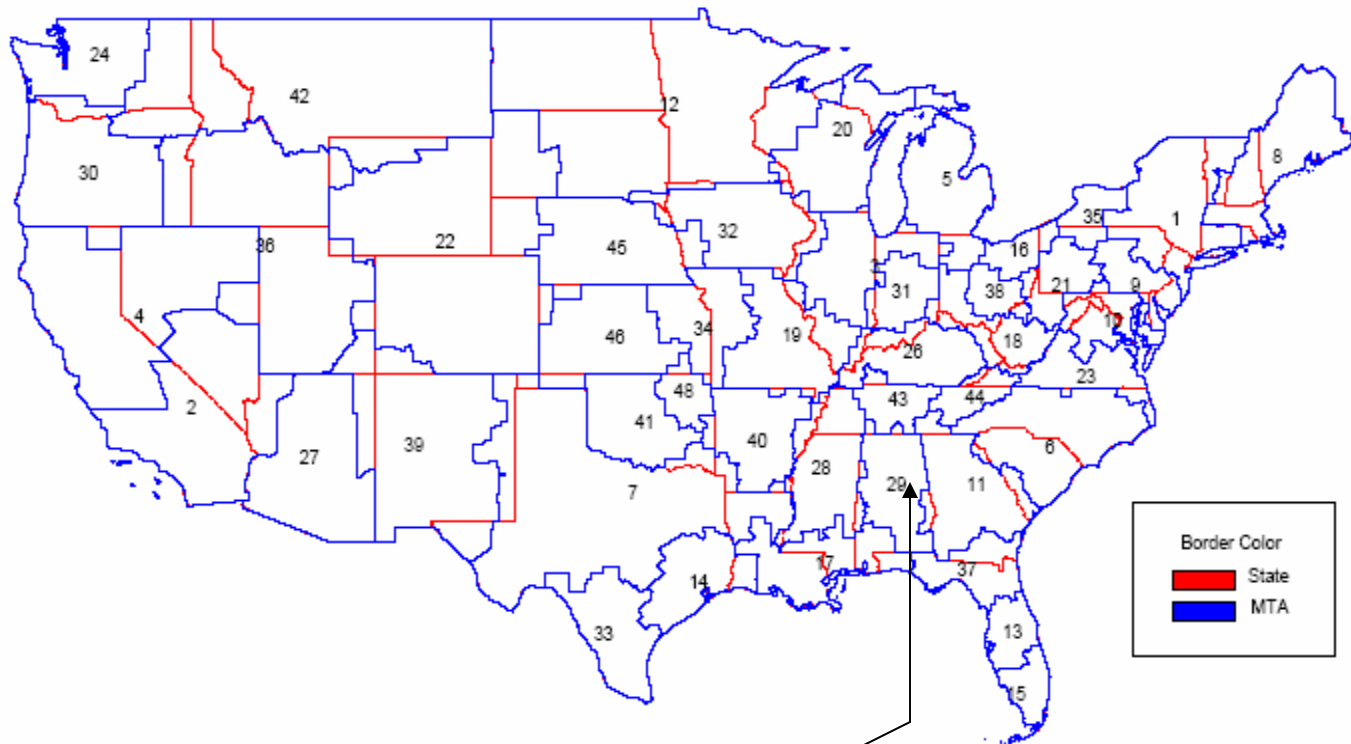
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- *New plan seems to forbid access reductions unless ILECs are made whole*
 - *No intrastate access reduction will occur unless the subsidy to non-bundled, existing traditional flat-rate local exchange services for residential service provided by switched access is replaced by an end user charge, an increase in local service rates (in addition to those provided for in Part 7B of this Plan), or by the introduction of an intrastate universal service fund. The establishment of an end user charge or an intrastate universal service fund will only occur following notice and hearing. [BST section of plan; ICO plan similar]*
- *Special Access treatment in new plans ??*

ACCESS CHARGES

- *Where we are today (too high)*
 - *Provide competitive advantage to ILEC*
 - *Discriminatory treatment of IXC's vs CMRS providers*
 - *CMRS providers such as Cingular pay local interconnection for intra MTA calling – MTA # 26 covers most of state*

The 51 Major Trading Areas (MTAs)



Border Color

- █ State
- █ MTA

Birmingham
MTA



MTA-Like areas not shown:
 M25 Puerto Rico & US Virgin Islands
 M49 Alaska
 M50 Guam and Northern Mariana Islands
 M51 American Samoa

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