

California Teleconnect Fund
Phase II Workshop
R.13-01-010

AT&T Workshop Presentation
March 10, 2014



The Commission and All Parties Uniting to Support a Common Goal

GOAL: Ensure high speed internet connectivity for CTF Participants at discounted rates in local communities, and increase penetration to entities who have limited internet and financial resources.

- ❖ **The current criteria for the CTF Program are overly broad, resulting in participants receiving discounts that may not be consistent with the goals of the CTF program, and are not an effective use of this program's limited resources.**
- ❖ **The CTF budget has grown from \$60M in FY 2009-10, to approximately \$108M for FY 2014-15.**
- ❖ **Commission Staff noted that the current CTF rules needs to be modified in order to ensure that the CTF Program will continue to achieve the Commission's universal service objectives.**

AT&T's Perspective on Proposed Rules

AT&T generally supports many of CD Staff's proposed rules, however, several proposals need further clarification and/or discussion with Staff and the parties in order to determine impacts to goals, participants, funding, program administration and whether the proposed changes are necessary. At the outset, clarification and/or discussion is needed on the following topics:

Eligibility Criteria for Participants:

❖ Schools:

- Parties need to better understand what impacts different threshold levels may have on endowment caps from \$50M to a lower threshold on public and private schools, and whether changing the threshold is necessary to achieve the Program goals in light of the stringent modification of the CBO eligibility rules.

❖ CTN:

- Any changes to participant eligibility relating to CTN should be reviewed and discussed in workshops. For participants under the CTN funded permanent federal rural health program, only CTF approved participants are eligible for the CTF discount.

❖ CBOs:

- Located in area with household adoption rate of less than 60%. How will Commission Staff define an area, measure adoption rates, identify and monitor the adoption rates, and how will CBO's and service providers be notified of a CBO's ineligibility?
- What source will be used to monitor an area with median income less than 150% of the federal poverty level?
- What processes should be developed for CBOs that choose to include the 150% of federal poverty level attribute and later the designation of the area changes?

AT&T's Perspective on Proposed Rules

Clarification and/or discussion is needed on the following topics (Cont.):

Eligibility Criteria for Services:

❖ Discontinuance of CTF Discounts on Voice Services

- Distinction between voice and data services have become opaque, as many services today allow the customer to use a single service for voice and data, and the service provider is not aware of how the customer is using the service.
- Participants would need adequate time to plan for and adjust future budgets.
- Limiting voice service to areas in which that is the only means for accessing the Internet.

❖ Service Eligibility Evaluation Process

- Streamlined process needs to be developed that is more flexible, that can be utilized at the time a service provider introduces new services, and that is easy to administer for both service providers and Commission Staff.

Sustainability of the Program:

❖ Simultaneous Review of Sustainability is Needed

- Participants are using and moving toward more services that are not subject to the surcharge that supports the Program.

AT&T's Proposed Recommendations

AT&T Recommends the Following Regarding Staff's Proposals:

Eligible Services:

- ❖ **Wireless Service – After School Hours be Used Solely on Campus**
 - This requirement would need to be placed upon the applicant during the application and renewal process.
- ❖ **Dark Fiber Should Not be Eligible for CTF Discounts**
 - The term dark fiber is not a service as it is nothing more than a physical facility that only can be used to provide a service if electronics are attached to it.
 - Fiber is only one component of broadband access. Broadband access also requires regeneration equipment to ensure integrity of the signal, as well as having the equipment and fiber synchronized, tested and maintained, and personnel to monitor alarms to prevent signal degradation.
 - Inclusion of dark fiber will place severe budgetary constraints on the Program.

Ensuring Entities Meeting Program Requirements:

- ❖ **CBOs:**
 - Develop structured transition period for existing CBOs to certify eligibility. Recommend starting at the beginning of a fiscal year, and staggering the recertification process.
 - CD Staff to conduct random audits of a subset of CBOs on an annual basis to ensure they continue to meet required attributes of the Program.

AT&T's Proposed Recommendations

AT&T Recommends the Following Regarding Staff's Proposals (Cont.):

Eligible Service Providers:

❖ **Local Governments and Nonprofit Corporations should not be allowed to provide service to CTF-eligible participants**

- Government-owned networks (GONs) should only be funded and deployed where there is no private alternative. Overbuilding does nothing to further the goal of extending broadband to those who have no broadband access today.
- Building and operating broadband networks is best left to the private sector because it requires expertise and an on-going investment in network operations and upgrades.
- There are potentially large financial risks involved in GONs.
 - ✓ Example of failed GONs: UTOPIA network in Utah and the GON built by the city of Groton Connecticut
- If government entities pursue public ownership of broadband networks, appropriate safeguards should be put in place to protect taxpayers and ensure a “level playing field” in a competitive market. These safeguards include:
 - ✓ Commercial service providers should be given a right of first refusal.
 - ✓ Regulations must be applied to commercial, government-owned and public sector networks on a non-discriminatory basis.
 - ✓ GONs should be subject to same laws and rules that govern commercial competitors.
 - ✓ GONs should not receive preferential tax treatment, instead, tax incentives/exemptions could be provided to service providers in order to increase the availability of desired services.
 - ✓ GONs should not be given preferential access to the right-of-way.
 - ✓ GONs should not be allowed to make exclusive arrangements that prohibit commercial competitors from offering services.

AT&T's Proposed Recommendations

AT&T Recommends the Following Regarding Staff's Proposals (Cont.):

Cost Containment:

❖ **A Flat Rate Discount Methodology Based on Service Type Should Not be Adopted**

➤ **Current discount methodology is simple and easy for customers to understand**

- ✓ A 50% discount is easy for customers to understand, and enable them to budget and reconcile their bills.
- ✓ Shifting the CTF benefit from a straightforward percentage to a series of complex flat rate discount amounts based on service types that may vary in speeds and customer type will be confusing to customers.

➤ **Change in the current discount methodology is not necessary**

- ✓ With the other stringent proposed rules on CTF eligibility, it may not be necessary to change the current discount methodology.
- ✓ However, if the Commission still believes additional cost containment is necessary after implementing revised CTF eligibility requirements, the Commission should consider reducing the discount percentage from 50% to a lower percentage.

➤ **A flat rate discount will be burdensome and problematic**

- ✓ Utilizing a flat rate discount will add a layer of complexity to the program that will be confusing to customers.
- ✓ It will also raise compliance concerns with the federal E-rate program, as there is the potential for a customer to receive a discount equal to or greater than the actual cost of the service.
- ✓ A flat rate discount will be burdensome for service providers to administer, and may cause service providers to exit the Program and/or dissuade new service providers from participating in the Program.
- ✓ Significant system changes would be required to administer a flat rate discount that would be extremely costly and take well over a year to implement.