



# Did You Know?? Telecom Facts, Figures, and Beyond

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# Presentation Takeaways

- ▶ Advocacy
- ▶ Education
- ▶ Future Planning
- ▶ Interesting Facts

# Topics

- ▶ Federal Compliance
- ▶ FCC Statistics
- ▶ State by State Analysis
- ▶ Industry Practice
- ▶ Did You Know??

# Federal Compliance

- ▶ Transformation Order
  - Pre-Transformation Order = 677 burden hours
  - Post-Transformation Order = ~ 1,500 burden hours
    - Mandatory....does not include quarterly HCLS filings or voluntary filings
- ▶ Fines
  - CPNI: daily fine = up to \$160,000 for each violation
  - Late Filings for Support Received (NACPL freeze Order): seven day minimum, plus day to day basis
    - Example: \$300,000 in support per mo / 30 days x 7 days = \$70,000 penalty plus day to day
      - ▶ One time 3-day grace period, at holding company and not operating company level
      - ▶ “we will cease the practice of finding there is good cause for a waiver of high cost filing deadlines...”
  - AT&T fined \$100M for throttling down customer unlimited data plans after certain threshold crossed
  - Verizon fined \$90M and Sprint fined \$68M for mobile cramming

# Federal Compliance

- ▶ 10/1 mandate is still only upon reasonable request
- ▶ The FCC created a “Strike Force” in 2014. Travis LeBlanc of the Enforcement Bureau stated, “The USF Strike Force is a force multiplier for the FCCs efforts to combat waste, fraud, & abuse” and “While still in its foundational stage, the Strike Force will continue to grow to include experienced prosecutors, investigators, and forensic analysts”
- ▶ The Enforcement Bureau is the FCCs largest bureau and the primary unit responsible for enforcement of the Communications Act and other communications statutes, Commission’s rules, Commission’s Orders, and the terms and conditions of FCC authorizations

# FCC Statistics

- ▶ E-Rate funding is now at \$3.9B, up from \$2.25B (2015 Broadband Progress Report)
  - Overall cap remains the same....
- ▶ Chairman Genachowski: "...the Order as a whole will unleash billions in private sector broadband infrastructure spending in rural America over the next decade, creating hundreds of thousands of jobs."
  - In 2009 we had 230,000 employees, now we have 177,000 - the writing is on the wall. That's all what I had to say. Have a great weekend and I'll see you here on Monday" (layoffs at Verizon Communications, 'thelayoff.com', posted 10/16/2015 by Anonymous179920)
  - "ATT continues to reduce their workforce by 2020, which includes 40% of their employees will be laid-off. And most of their positions will be sent to off-shore. AT&T just had a major lay-off 7/31/15 and 5,000 employee nationwide were notified that their jobs were being eliminated" (thelayoff.com posted 10/15/2015)
  - "Century Link to shed 1,000 jobs nationwide (Denver Post, 8/7/2015). At the end of June, CenturyLink had 44,400 employees companywide, down from 45,500 at the end of the second quarter in 2014, according to regulatory filings made this week with the U.S. Securities and Exchange Commission."

# FCC Statistics

- ▶ Transformation Order Funding
  - \$4.5B in ongoing funding broken down as follows:
    - Price caps: \$1.8B
    - Rate of Return: \$2B
    - Mobility: \$400M
    - Tribal Mobility: \$100M
    - Remote Areas Fund: \$100M
- ▶ Combined = \$4.4B.....
- ▶ The rate of return (“RoR”) component of an ILECs “revenue requirement” (cost recovery comprised of RoR on net rate base + expense recovery) is about 20% of the total. Cost recovery of operating expenses is approximately 80%.... (NECA TRP data)

# FCC Statistics

- ▶ And decreasing the authorized RoR from 11.25% to 8% equates to a loss in total NECA settlements of about 4% (NECA TRP data). Pool-wide, this is about a \$94M annual impact
- ▶ As of 12/31/2014, USAC had \$2,877,532,000 of “Assets Held for Federal USF” under the Current Asset section of their Balance Sheet
- ▶ As of 12/31/2014, USAC had \$5,595,973,000 of “Assets Held for Federal USF” under the NonCurrent Asset section of their Balance Sheet

# State by State Analysis

▶ Annual NACPL Freeze Impact:

NTTA/Tribal ILECs	\$	(1,000,000)
Colorado	\$	(847,630)
New Mexico	\$	(2,160,520)
Arizona	\$	(1,491,125)
Kansas	\$	(4,202,090)
Pennsylvania	\$	53,663
Texas	\$	(3,051,840)
Minnesota	\$	(26,750)
Alaska	\$	(480,326)
Louisiana	\$	(181,841)
Oregon	\$	(514,056)
Indiana	\$	(1,324,535)
Arkansas	\$	(271,704)

\*\* Net Amounts; Rounded/Approximation using 13-1 data \*\*

# State by State Analysis

- ▶ Alternative Connect America Cost Model (“ACAM”) Impact:

<b>NTTA/Tribal ILECs</b>	<b>\$</b>	<b>(15,000,000)</b>
<b>Colorado</b>	<b>\$</b>	<b>(462,791)</b>
<b>New Mexico</b>	<b>\$</b>	<b>(11,087,116)</b>
<b>Arizona</b>	<b>\$</b>	<b>(20,741,833)</b>
<b>Kansas</b>	<b>\$</b>	<b>(39,103,484)</b>
<b>Pennsylvania</b>	<b>\$</b>	<b>1,058,387</b>
<b>Texas</b>	<b>\$</b>	<b>(42,456,163)</b>
<b>Minnesota</b>	<b>\$</b>	<b>65,891,936</b>
<b>Alaska</b>	<b>\$</b>	<b>21,008,774</b>
<b>Louisiana</b>	<b>\$</b>	<b>(16,129,119)</b>
<b>Oregon</b>	<b>\$</b>	<b>(12,513,754)</b>
<b>Indiana</b>	<b>\$</b>	<b>(37,272,110)</b>
<b>Arkansas</b>	<b>\$</b>	<b>(2,377,092)</b>

\*\* Using Version 3.0 Report 3.3 Released October 2015

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# State by State Analysis

- ▶ 53% of all rural Americans lack access to 25/3 broadband service
  - Only 8% of urban Americans lack access to this speed
- ▶ 85% of customers living in rural areas of Tribal lands lack access to 25/3
- ▶ With decreased intrastate telecommunications services and assessable bases, some state high cost funds are struggling:
  - New Mexico: arbitrarily decreased the surcharge assessment, causing significant cuts in funding
  - Kansas capped their state USF fund
  - Federal USF may alleviate some of this with larger end user fee
    - Larger "SLC" or end user charge = smaller funding level need
  - Oregon cut funding on a pro rated basis

# Industry Practice

- ▶ Record Retention = [at least] 10 yrs
- ▶ That we can tell, NECA is beginning to use benchmark reviews to determine a given member's cost allowance for select services
- ▶ Not a bad idea to have a cost allocation manual
  - Will be asked for in USAC audits
- ▶ All companies still faced with \$250/line/month cap
  - Great idea to lobby for modified definition of "access line"
- ▶ NECA pool administration fee for 2011 ~ \$43M
- ▶ More and more carriers are requesting dark fiber alternatives with certain ETS rates becoming unaffordable. Forewarning....

# Industry Practice

- ▶ Along the lines of the last bullet point on the last slide, more and more companies are also pricing ETS service out of state tariffs
  - Could be problematic with FCC retaining jurisdiction of broadband access to the internet??
  - Per FCC C.F.R. Part 32, CPRs are required to be kept in retirement level detail
  - Interconnection agreements: no longer compensable
  - FCC public notice regarding using support for its intended purposes
  - Non ILECs can still get in the game. No current rules prohibiting applying for ILEC/RoR status
    - CLEC business plans are dying with the identical support rule phasing out
    - Mobility and Remote Areas Fund still possibilities
    - Look out for the parent trap rule....

# Did You Know??.....

- ▶ Rick Scholtes is the mayor of Blue Earth, MN
- ▶ Alexicon sent 5 employees to the hospital, ER, or Urgent Care thus far in 2015
- ▶ There are 51,928 attorneys in Washington D.C. (2014)
- ▶ There are 566 registered Indian Tribes and nine Tribally-owned carriers
- ▶ IPV6 allows for “340 trillion, trillion” ( $3.4 \times 10^{38}$ ) IP addresses
- ▶ J.D. Schmidt built a rotary airplane engine, which is functional today and chained down because it has a propeller
- ▶ The first American film to show a toilet being flushed on screen was \_\_\_\_\_??
- ▶ The diameter of the largest snowflake every recorded??
- ▶ John Tyler, the 10<sup>th</sup> president of the U.S., was born in 1790. He has a grandson that is alive today
- ▶ A strawberry is NOT a berry, however a banana IS a berry

# Questions??

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