What Can (Must) the States Do About Broadband

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What Can States Do?

- Small pipes, small issues.
- Big pipes, big issues.
What Areas?

- Interconnection.
- Universal Service.
“The Internet” (Best Efforts)

“The PSTN” (Managed)

NextGen Network Provides a Common Platform
The NextGen Evolution

Next Gen Island

Next Gen Island

Next Gen Island

Gillian Associates
The NextGen Evolution

MG = Media Gateway
SBC = Session Border Controller
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Evolution of the Traditional Network

IP Transport Cloud

End Office

End Office

End Office

Gillan Associates
“Due to technological advances, changes in consumer preference, and market forces, the question is *when*, not *if*, POTS service and the PSTN over which it is provided will become obsolete…..”

AT&T 12/09
Why is there an issue?

- If all networks were of the same size and market position, voluntary interconnection and traffic exchange should benefit all equally.
Why is there an issue?

➢ If all networks were of the same size and market position, voluntary interconnection and traffic exchange should benefit all equally.

➢ Where one network is larger than another, the larger network views interconnection as providing greater value to the smaller network.
Facts

- Traffic volumes are determined by communities-of-interest.
- The largest community-of-interest is the “local community.”
- Traffic between carriers serving the same “local community” is the largest and most competitively significant.
Implication

- The incumbent local exchange carrier – in particular, a metropolitan RBOC – is the largest traffic exchange partner whether you want them to be or not.
More Facts/Implications

- Cable MSOs did not develop “regions” to exploit any particular shared community-of-interest.
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- Relatively small opportunity to develop a “cable-to-cable” interconnection model (generally limited to long distance traffic proportional to market share).
More Facts/Implications

- Small ILECs typically have interconnection profile that is highly skewed towards the ILEC serving a metropolitan market.
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- Small ILECs face leverage problem similar to CLECs or Cable entrants – they need the interconnection more than the RBOC.
The Next Generation Interconnection Issues

- Where should there be interconnection?
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- **Where** should there be interconnection?

- What should be the **geographic scope** of traffic exchange?
The Next Generation Interconnection Issues

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- What should be the geographic scope of traffic exchange?
- How to guarantee service quality across multiple IP networks?
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- What should be the geographic scope of traffic exchange?
- How to guarantee service quality across multiple IP networks?
- Compensation
Universal Broadband

- Goal is universal broadband.

- Subsidy should be directed to areas where there is not a business case to deploy broadband.

Easy to Say, Hard to Implement
Broadband USF Issues

➢ There is no obligation to serve; there is no rate regulation. What is the social contract for public subsidy?
Broadband USF Issues

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- What makes the “business case” for broadband?
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- What makes the “business case” for broadband?

- Who will judge need? Who will distribute the support?

If not the States, then Who?