

Does Florida Have a Universal Service Problem?

Then and Now, 1998 to 2008

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Define the Problem

- What is “Universal Service” ?
 - Federal Definition and Programs
 - Section 254(c) Of the Telecommunications Act of 1996: “ ... an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service support mechanisms shall consider the extent to which such telecommunications services-- ` (A) are essential to education, public health, or public safety; ` (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers; ` (C) are being deployed in public telecommunications networks by telecommunications carriers; and ` (D) are consistent with the public interest, convenience, and necessity.”
 - High Cost Support
 - Lifeline / Low Income
 - Schools and Libraries
 - Rural Healthcare

Define the Problem

– State Definition and Programs

- Section 364.025, Florida Statutes: “ ... an evolving level of access to telecommunications services that, taking into account advances in technologies, services, and market demand for essential services, the commission (Florida PSC) determines should be provided at just, reasonable, and affordable rates to customers, including those in rural, economically disadvantaged, and high-cost areas.”
- No High Cost Support . . . “interim mechanism” since 1996
- Carriers permitted to petition the Florida PSC for support, but no petitions to date.
- Lifeline
- Permanent mechanism by 2009 / End of COLR

Define the Problem

- Florida perspective: Is there a problem?
 - High Cost / Low Cost
 - Telephone Subscribership
 - Lifeline participation
 - Other Factors/Issues
 - Broadband
 - Mobility

Florida's Past – 1998-1999

- Florida Legislature
 - Commissioned PSC to complete studies/reports on universal service in Florida
 - Addressed issue of state universal service funding
- Florida PSC Reports to Florida Legislature
 - No state universal service fund needed
 - Need for greater Lifeline participation in Florida

Florida's Past – 2001

- Florida Legislature
 - Legislative Staff completed study on need for state funding for broadband/ DSL (universal provision of DSL services).
 - Staff for Committee on Regulated Industries found no need to recommend legislation for a universal service fund or other mechanism for provision of DSL (high-speed and advanced Internet services).

Florida's Past, 2002-2008

- Rate rebalancing started then halted in its tracks.
 - Alleviated some pressure for state universal service funding
- Eligible Telecommunications Carriers (ETCs)
 - Wireline ETCs
 - 2006: four new ETCs in 2006
 - Wireless ETCs
 - New Technologies/ VOIP ?

Changes Since 1998 Impacting Florida Universal Service

- Changes in the Market
 - Competitive Wireline Entrants Fall and Rebirth
 - Growth of Wireless
 - Demand for more bandwidth
- Changes in Technology
 - VOIP
 - Advances in Wireless Technology
 - Lower Cost / Investment in Fiber Deployment
- Changes in the Law
 - Changes to Section 364.025, Florida Statutes
 - Changes to Federal Law

Changes in the Market

- Most CLECs formed after the 1996 Telecom Act have departed or been acquired.
- Some have been reborn with the emergence of VOIP technology.
- Consumers are demanding more and more bandwidth for new applications, such as video and gaming.
 - Recent projection from research group ABI: Video downloads will grow from **215 million in 2008** to more than **2.4 billion in 2012**.
 - Leasing bandwidth . . . no more minutes of use
- Wireless has exploded with more and more consumers “cutting the cord”.

Changes in Technology

- VOIP has made voice an inexpensive application that the entire telecom industry is embracing.
 - AT&T rolling out VOIP in its U-verse offering
 - Verizon suing Cox and Vonage over VOIP patents
- WiFi/WiMAX and other new wireless technologies bring a new last mile broadband alternative to the market.
 - Sprint, xG Technology, and others roll out new products in 2008 and beyond
 - FCC auction for UHF spectrum will lead to further wireless technology innovation.
- Fiber for the masses?
 - Growth in broadband availability and choices
 - Verizon is doing their best.
 - Will/are others follow(ing) suit?
 - Verizon GPON (100 Mbps) v. Comcast DOCSIS 3.0

Changes in the Law

- Florida law
 - Florida PSC is prohibited from regulating VOIP, broadband, and wireless services, but federal law wild card exists (Section 364.011, F.S.).
 - ILEC carrier of last resort (COLR) obligation (Section 364.025(1), F.S.) to sunset on January 1, 2009, and permanent universal service mechanism to be established: "... each local exchange telecommunications company (ILEC) shall be required to furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within the company's service territory."
 - Perpetual interim universal service mechanism?
 - COLR waivers on multi tenant business or residential properties (Section 364.025, F.S.).

Changes in the Law

- Federal law
 - FCC reduces opportunities for intra modal competition and encourages inter modal competition, e.g., changes to unbundling and line sharing requirements.
 - Congress considers expanding universal service to include broadband.
 - FCC launches intermodal rulemakings on net neutrality issues.
 - USF Joint Board makes recommendations for broadband and mobility.

Conclusion - Lessons Learned

- Historically, Florida Legislature found no need for a state universal service fund.
- Changes in Marketplace, Technology, and Law make intrastate universal service subsidy programs less and less needed.
- Potential funding needs may arise on localized basis to help and stimulate low income and high cost areas in Florida, particularly for broadband services. However, big jurisdiction/legislative problem on broadband remains
- Viability and legality of Florida state funding for Lifeline and any permanent USF mechanism in a VOIP world will need to be addressed, as well as integration with possible new federal universal service programs targeting broadband and wireless.