

**EXPERIENCE INNOVATION**

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## Wireline Competition: Regulatory Developments

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**Albert H. Kramer** **April 4, 2006**  
**Dickstein Shapiro Morin & Oshinsky LLP**  
2101 L Street, N.W.  
Washington, D.C. 20037  
(202) 828-2226  
kramer@dsmo.com

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### What matters to competitors?

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- Access to their customers
- How VoIP is/will be regulated
- Net neutrality
- The “money issues”
  - Intercarrier compensation
  - USF



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## Access to customers: UNEs

- In order to serve customers, CLECs need access via the local loop “unbundled network element” or special access
- In the aftermath of the *TRO Remand Order*, the UNE regime is relatively stable
  - Subject to appeal, but many observers think there will not be any significant changes
  - FCC not focused on petitions for reconsideration

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## Access to customers: UNEs

TRANSPORT			
Circuit	Impairment	Limits	Transition
DS-1	The amount of bandwidth available for use by DS-1 circuits is limited by the amount of bandwidth available in the local loop. [i.e., access provided to DS-1 circuits is limited by the amount of bandwidth available in the local loop.]	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)
DS-3	The amount of bandwidth available for use by DS-3 circuits is limited by the amount of bandwidth available in the local loop. [i.e., access provided to DS-3 circuits is limited by the amount of bandwidth available in the local loop.]	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)
Dark Fiber	The amount of bandwidth available for use by Dark Fiber is limited by the amount of bandwidth available in the local loop. [i.e., access provided to Dark Fiber is limited by the amount of bandwidth available in the local loop.]		10 MHz per carrier (subject to the amount of bandwidth available in the local loop)
LOOPS			
Circuit	Impairment	Limits	Transition
DS-1	The amount of bandwidth available for use by DS-1 loops is limited by the amount of bandwidth available in the local loop. [i.e., access provided to DS-1 loops is limited by the amount of bandwidth available in the local loop.]	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)
DS-3	The amount of bandwidth available for use by DS-3 loops is limited by the amount of bandwidth available in the local loop. [i.e., access provided to DS-3 loops is limited by the amount of bandwidth available in the local loop.]	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)	10 MHz per carrier (subject to the amount of bandwidth available in the local loop)
Dark Fiber	The amount of bandwidth available for use by Dark Fiber loops is limited by the amount of bandwidth available in the local loop. [i.e., access provided to Dark Fiber loops is limited by the amount of bandwidth available in the local loop.]		10 MHz per carrier (subject to the amount of bandwidth available in the local loop)

### Definitions

Fiber-base collocator. Includes any competitive carrier collocation arrangement, with active power supply, that has a non-ILEC fiber-optic cable (or comparable facility, including fixed wireless) that (1) terminates at the collocation facility, (2) leaves the wire center; and (3) is non-ILEC owned or affiliated.

- Multiple collos by the same or affiliated carriers are counted as one
- Dark fiber IRUs from the ILEC are treated as non-ILEC fiber

Business lines. All ILEC business switched access lines, plus the sum of all UNE loops connected to the wire center, including business UNE-P lines.

- DS-1 loops are treated as 24 lines
- Generally, digital access lines counted by 64 kbps-equivalents
- Non-switched special access lines are not included
- Lines to non-end users are not included

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## Access to customers: UNEs

- The SBC/AT&T and Verizon/MCI merger orders
  - AT&T fiber-based collocations excluded from SBC's central office count; same for MCI and Verizon
  - UNE rates frozen at current levels for 2 years from respective merger closing dates
  - In-region, special access rates frozen and nondiscrimination obligations imposed for 30 months from respective merger closing dates
  - Should not be affected by Verizon Forbearance Petition

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## Access to customers: broadband access

- The FCC's *Wireline Broadband Order*, released last fall dramatically curtailed rights to access ILEC broadband Internet access facilities
  - Declared to be information services; Computer II/III protections elimination
  - No requirement that underlying transmission facility be made available
  - ILEC may choose to offer broadband transmission to ISPs as telecommunications service; can be non-common carrier

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## Access to customers: broadband access

- FCC's passive grant of the Verizon Forbearance Petition significantly extends *WBO*
  - Petition filed in December '04 sought forbearance from application of Title II for Verizon's broadband services
  - After release of *Wireline Broadband Order*, Verizon clarified scope; Petition granted by operation of law March 20, 2006
  - Significantly expands scope of deregulation, adding numerous transmission services

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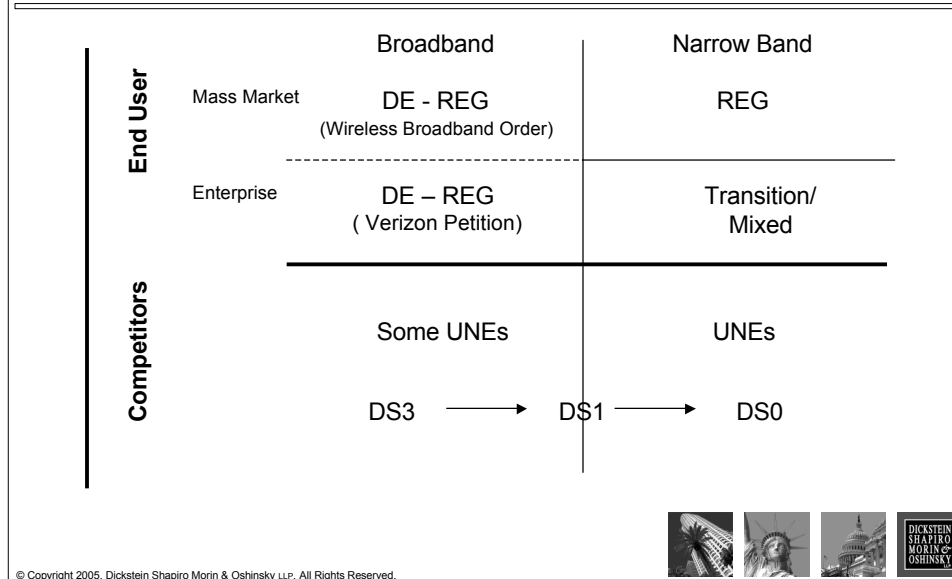
## Access to customers: broadband access

- Now off the table:
  - Frame Relay
  - ATM
  - IP-VPM
  - All other "non-TDM" packet services > 200 kbps
  - Optical networking
  - Optical hubbing
  - Optical transport

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## Access to customers: summary



## VoIP

- There are important distinctions between VoIP providers and CLECs:
  - CLECS
    - Regulated as telecommunications providers
    - State certification required
    - Entitled to access to ILEC UNEs, numbers, and other rights
  - IP providers
    - Regulatory status undecided
    - State certification not required
    - Not entitled to access to ILEC UNEs



## VoIP

- The FCC has made some key determinations
  - Free computer-to-computer telephony is an information service (Pulver.com)
  - Services like Vonage's are subject to the FCC's interstate jurisdiction—and are thus not subject to state certification requirements (Vonage)
  - PSTN-PSTN calls with "IP-in-the-middle" are subject to access charges (AT&T)

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## VoIP

- There is still, however, considerable regulatory uncertainty surrounding VoIP's ultimate regulatory classification
- Is it a "telecommunications service" or an "information service"
- There are many open proceedings

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## VoIP

- In any case, even if VoIP is “deregulated,” the FCC has or will apply regulation in several key areas:
  - E911
  - CALEA
  - Truth-in-Billing
  - Intercarrier compensation
  - Universal service fund support

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## Network neutrality

- Everybody's talking about it, but what does it mean and why does it matter
- The FCC says it means:
  - consumers are entitled to access the lawful Internet content of their choice;
  - consumers are entitled to run applications and services of their choice, subject to the needs of law enforcement;
  - consumers are entitled to connect their choice of legal devices that do not harm the network; and
  - consumers are entitled to competition among network providers, application and service providers, and content providers.

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## Network neutrality

- FCC first took notice with Vonage's complaint concerning Madison River's blocking of VoIP calls
- The debate has shifted since
  - Being largely driven by the incumbents
  - The big Internet companies are the explicit targets, but the debate matters as much to smaller providers

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## The dollar debates

- In the end it is all about the money
- Intercarrier compensation
- Universal service
- Applicability of various taxes

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