

What to Expect from the FCC
The New FCC Under Chairman Martin:
What Changes can we expect in 2006?

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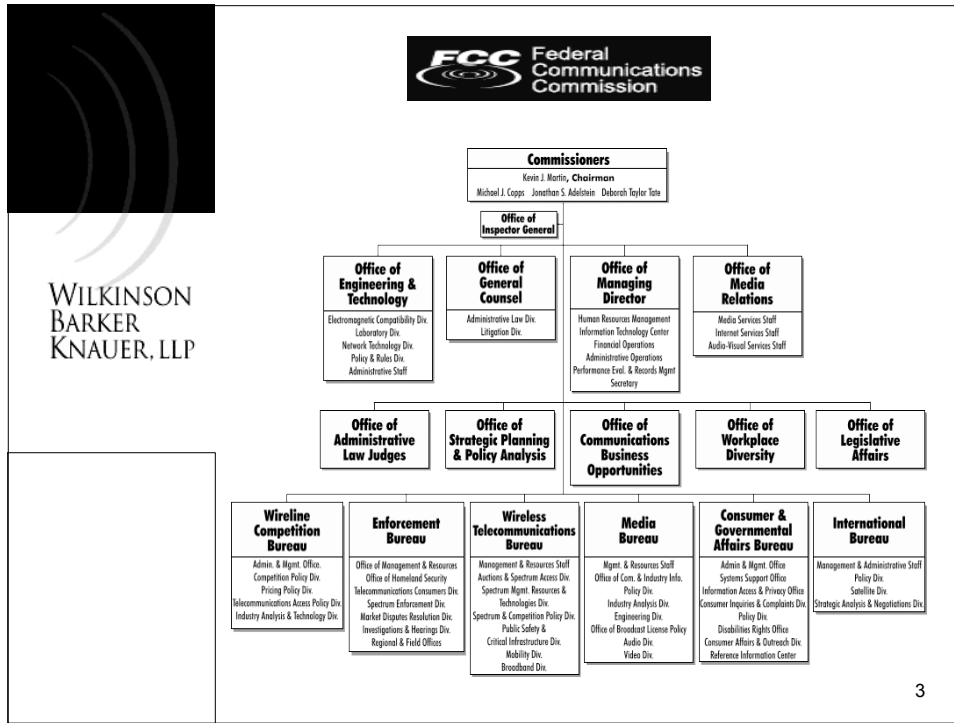
The New Commission



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- Chairman and Commissioners
 - Chairman Kevin J. Martin (R) (June 2006)
 - Commissioner Deborah T. Tate (R) (June 2007)
 - Commissioner Michael J. Copps (D) (June 2010)
 - Commissioner Jonathan S. Adelstein (D) (June 2008)
 - Commissioner Robert M. McDowell (R) (June 2009) (not yet confirmed)

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Four Primary Areas

- Convergence
- Wireline
- Wireless
- Media


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Convergence Issues

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Net Neutrality

- What does it mean?
- March 2005 - Madison River Consent Decree on port blocking VoIP
- June 2005 –Net Neutrality Policy Statement
- Nov. 2005 – In mergers, AT&T and Verizon “voluntarily” agree for a two-year period.
- Jan. 2006 – In the Consumer Protection in the Broadband Era NPRM proceeding, several commenters urge net neutrality requirements
- Chairman Martin not inclined to move from non-binding principles to rules
- Pending proposals in Telecom Act rewrite

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CPNI

- Sale of customer records on the Internet
- Numerous pending FCC investigations
- Two FCC \$100,000 NALs re compliance certification
- FCC rulemaking
- Pending legislation

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Video Franchising

- Telcos concern that local franchise process is imposing undue delay
- FCC NPRM to streamline franchise process for new entrants (Nov. 2005)
- Legislative proposals to give a nationwide franchise that includes basis franchise fees for municipalities

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Homeland Security

- E911: wireless, VoIP
- CALEA: applicability to Title I offerings
- EAS: Extending EAS to other platforms
- 700 MHz public safety spectrum NPRM (March 2006): broadband capability


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Wireline Issues

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Continued Wireline Deregulation

- Mass market – Omaha Follow On
 - Relaxed unbundling obligations;
 - Continued deregulation of consumer broadband
- Enterprise market – Verizon Forbearance
 - Relaxed regulation of high-capacity services
- Applications
 - Some/all IP-enabled services as “information services” and/or forbearance from Title II regulation?

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Universal Service

- Increasing burden as contribution base declines and class of eligible recipients expands
- Contribution reform: shift from existing revenues-based approach to numbers- or numbers/capacity-based approach
- High-cost distribution reform: rural carrier mechanism being considered by Joint Board; non-rural carrier mechanism subject of pending FCC proceeding

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Intercarrier Compensation

- FCC seeking broad-scale industry-backed reform
- NARUC-brokered 11 party proposal attempts to achieve a unified termination rate over time
- Political challenges
- Short-term action expected on 2 smaller issues:
 - “Phantom traffic”
 - Access charges and universal service contribution obligations for calling-card calls deemed “information services”

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Mergers

- Consolidation trend
- \$65 billion AT&T/BellSouth merger announced March 6
- Further consolidation possible in response?


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Wireless Issues

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Advanced Wireless Service (AWS-1) Auction

- June 29, 2006
- 90 MHz (1.7 GHz / 2.1 GHz)
- 1,122 licenses
- Service areas range in size
- Issues remaining: bidding information, DE investment, relocation

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Preemption

- Truth-in-Billing
 - FCC decision preempting states (March 2005)
 - 11th Circuit Appeal oral argument (May 17, 2006)
 - Pending NPRM re: additional preemption
- Early Termination Fees
 - Pending petition for declaratory ruling (Aug. 2005)

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Roaming

- Current rule: mandated manual roaming (credit card initiated)
- 2005 NPRM: Sought comment on whether to regulate automatic roaming between wireless carriers
- Many rural carriers advocate non-discriminatory automatic roaming rule

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New Spectrum Opportunities

- 700 MHz: 60 MHz post-DTV transition
- AWS -2: 40 MHz in blocks from 1.9 GHz – 2.1 GHz
- “White Spaces” in the broadcast spectrum
- “Flexible” spectrum: BRS/EBS; MSS/ATC


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Media Issues

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DTV Transition

- Feb. 2009
 - digital-only stations, channels 2-51
 - give-back of analog spectrum, channels 52-69
- NTIA-administered subsidy program for digital-to-analog converter box
- Outstanding issues
 - Technical aspects of transition
 - Multicast must carry
 - Broadcast flag

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Media Ownership

- 2003 FCC decision overhauling ownership rules
- 3d Circuit's 2004 *Prometheus* remand decision
- Chairman Martin awaiting arrival of 3d Republican Commissioner before issuing follow-up NPRM
- Chairman Martin has expressed strong interest in repealing or revamping the newspaper/broadcast cross-ownership ban

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Indecency

- March 15: biggest indecency day in FCC history
 - 51 TV program episodes or ads addressed
 - \$4.5 million in enforcement action
 - "bullshit" now illegal (problem for DC lawyers!)
 - Super Bowl case ripe for court
- Standards still murky
- Backlog of pending radio cases next?

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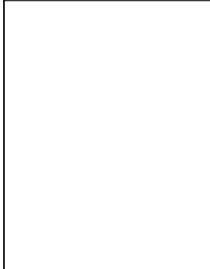


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Payola/Sponsorship ID

- Numerous pending FCC investigations ripe for decision
 - Focus for broadcasters is sponsorship ID
 - Pay for play
 - Video news releases
- Commissioner Adelstein priority
- New York AG Spitzer active

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