



Companies Announce America's Broadband Connectivity Plan and Breakthrough Consensus Framework

Fundamental Reforms to Universal Service, Intercarrier Compensation Would Control Costs, Advance Broadband Availability

WASHINGTON, July 29, 2011 (GLOBE NEWSWIRE) -- Six of the nation's leading broadband providers today submitted to the Federal Communications Commission (FCC) a proposal to speed broadband deployment to more than 4 million Americans living in rural areas. They also announced an unprecedented agreement with three organizations that represent small carriers on a framework for complementary reform.

The two complementary plans share key goals – modernizing the federal Universal Service Fund (USF) so that it is focused on building and sustaining broadband networks without increasing the size of the fund, and fundamentally reforming the Intercarrier Compensation (ICC) system that governs how communications companies bill one another for handling traffic, gradually phasing down these charges.

Together, the proposals will benefit consumers and promote the goals of the National Broadband Plan, which called for overhauling these two complex systems to address the modern-day mission of supporting broadband deployment as cost-efficiently as possible.

The six companies—AT&T (NYSE:T), CenturyLink (NYSE:CTL), FairPoint (Nasdaq:FRP), Frontier (NYSE:FTR), Verizon (NYSE:VZ) and Windstream (Nasdaq:WIN)—collectively serve the vast majority of U.S. telecommunications customers, including those residing in high-cost rural areas, which are the primary focus of USF support. Joining the companies in support of reform are the National Telecommunications Cooperative Association, the Organization for the Promotion and Advancement of Small Telecommunications Companies and Western Telecommunications Alliance.

Core components of the proposal, called America's Broadband Connectivity Plan, include:

Focusing the Universal Service Fund on Broadband Deployment

Consistent with the National Broadband Plan, a new Connect America Fund (CAF) would transition the USF over five years to an exclusive focus on broadband deployment. Key features of the plan:

- Connect virtually all Americans to broadband access within 5 years.
- Do so without growing the \$4.5 billion high-cost USF.
- Target support to broadband deployment in areas where there is no business case for companies to provide service.
- Promote efficiency by:
 - Targeting support more precisely to identified high-cost areas, and
 - Supporting only one provider in each area.
- "Broadband" is defined as a minimum of 4 mbps downstream and 768 kbps upstream (supporting robust education, health care and other applications).

Rationalizing an Outdated Intercarrier Compensation System

Also consistent with the parameters outlined in the National Broadband Plan, the companies' proposal would modernize intercarrier compensation to provide certainty, stability and a healthy foundation for growth to meet the needs of consumers. Key aspects of this part of the plan would:

- Transition terminating intercarrier compensation to a low, uniform default rate of \$0.0007 per minute over a five- to eight-year timeframe.
- Eliminate, through new rules and lower access rates, costly arbitrage scams that exploit today's outdated rules at the expense of broadband companies and consumers, as well as FCC resources, as the Commission chases after these fast-proliferating schemes.

The companies backing this plan have reached out to a wide range of stakeholders—from other providers of broadband service, to edge companies and consumer and rural organizations. The companies have been meeting since February to iron out their proposal and look forward to comments as the process moves forward at the FCC.

The following are quotations from officials of the six companies:

AT&T:

"After years of debating and discussing how to update the universal service and intercarrier compensation programs for the broadband era, a workable framework has emerged," said Hank Hultquist, vice president, AT&T Federal Regulatory. "To truly bring broadband services to all Americans, the rules of the road for the black rotary phone desperately needed to be updated for today's competitive, high-speed communications networks. We look forward to continuing to work with policymakers, Congress and others to ensure we accomplish this important goal this year."

CenturyLink:

"This plan recommends significant federal regulatory reforms to achieve the goal of connecting more Americans to broadband," said Melissa Newman, vice president, CenturyLink Federal Regulatory Affairs. "The policy changes offered in this proposal also are necessary for bringing long-term stability and predictability to the nation's universal service program. We look forward to working with the FCC as it develops an order that ultimately will provide consumers with the support they need to connect to broadband and its many opportunities."

FairPoint:

"This plan clears the way for the industry to move forward in an orderly and predictable manner toward the goal of universal broadband service offerings," said Mike Skrivan, vice president, FairPoint Communications Regulatory Affairs. "It has been structured to balance the needs of all industry participants and consumers. It will provide real benefits to companies and consumers alike by resolving longstanding contentious issues and allowing companies to focus instead on investments needed to provide ubiquitous affordable broadband services that will provide incredible customer value."

Frontier:

"Frontier's focused mission is to deploy broadband service to rural America. We believe that universal broadband is critical to the future of our country's economic strength and well-being," said Kathleen Q. Abernathy, chief legal officer and executive vice president, Frontier Regulatory and Government Affairs. "Today's industry-wide proposal takes an important step in providing solutions to reform universal service and intercarrier compensation, in an effort to ensure every American has access to broadband. This proposal reflects a careful balancing of the need to embrace our nation's broadband future while ensuring that carriers serving high-cost rural markets continue to receive adequate support for essential communications services. The adoption of this proposal will allow Frontier Communications to continue to focus all of its resources on deploying the next generation of networks and services to rural America," Abernathy added.

Verizon:

"We worked hard to reach consensus on a workable framework, and each of our companies was dedicated to producing a sound proposal that will benefit consumers and the industry," said Kathleen Grillo, Verizon's senior vice president of Federal Regulatory Affairs. "We are hopeful that this framework will gain even more industry support. Our goal was a strong, detailed and thoughtful plan, and we are confident that we deliver that today."

Windstream:

"This proposal modernizes the USF and ICC mechanisms as our industry migrates toward a broadband-oriented future," said Mike Rhoda, senior vice president, Windstream Government Affairs. "Importantly, the proposal provides an adequate transition period for carriers to move from the current structure to one that will meet the changing needs of telecommunications consumers and help close the rural-rural divide that has persisted under the existing flawed framework."

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