

Alabama Price Regulation

Where do we go from here?

Policy Objectives

- Reduce Regulation where competition is adequate to protect consumers
- Enable and encourage open competitive markets and prohibit anticompetitive behavior and barriers to entry
- Protect consumers in the mass market...small business and residential...either through robust competition or appropriate regulatory oversight

Choice for Residential and Small Business Consumers

- BellSouth 89%
- CLEC's UNE-P Providers 10%
- CLEC's UNE-L Providers 1%
- Cable ?
- VOIP ?
- Wireless ?

Competition Outlook

12-24 Months

- USTA II Decision
- FCC Interim/Permanent Rules
- Impact of reduced UNE availability and higher cost?
- Decreasing number of Competitors and Areas served by Competitors?
- Growth in UNE-L, Cable and VOIP Services?

Draft Proposal

Concerns

- Competitive Uncertainty
- Increased regulation of CLEC's
- Insufficient Regulation of BellSouth Wholesale Rates, Terms and Conditions
- Symmetric CLEC/ILEC Regulation
- Insufficient Anticompetitive Safeguards

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Recommendations

- ***Competitive Uncertainty***: Defer final decisions on regulatory reforms until the FCC issues permanent remand rules and the impact on the competitive landscape is known.
- ***Increased Regulation of CLEC's***: Forebear CLEC's with less than 5% of state access lines from ILEC regulatory requirements. These small CLEC's would be subject to IXC regulatory requirements.

ITCD Recommendations

- *Insufficient Regulation of BellSouth Wholesale Rates, Terms and Conditions:* The plan should include explicit requirements for BellSouth network unbundling, just and reasonable wholesale rates, and continued “271” compliance as a precondition for reduced retail rate regulation. As the major provider of essential wholesale services to the CLEC industry there should be linkage and safeguards between BellSouth’s wholesale business and their retail regulation.

ITCD Recommendations

- *Asymmetric regulation of ILEC's and CLEC's:* Minimal regulation should be applied to CLEC's due to their lack of financial or market leverage to engage in anticompetitive practices. Moreover, consumers are protected by the competitive choice they have in each and every situation to return their service to BellSouth or choose another competitor. Pricing and service quality rules applied to BellSouth are implicitly applied to the CLEC's.

ITCD Recommendations

- *Asymmetric Regulation:* Because the emerging competitor in any industry must initially compete on price, they should not be required to meet every standard prescribed for the market leader. A key component of the competitive dynamic is the customer's individual choice regarding the price value decision. Consumers who want a lesser product at a lower price should have that option available to them. Using the legacy monopolist as the umbrella for rates and service quality worked well in the long distance industry and should be applied to the local industry.

ITCD Recommendations

- *Insufficient anticompetitive safeguards:* The plan should include a comprehensive code of conduct that applies to all competitors. The code should include bright line rules for prohibited anticompetitive activities with an expedited process for reporting and taking action on complaints. The Commission should establish a permanent staff mediation panel with the power to review and resolve disputes between competitors.

Additional Information

- UNE-P State Fact Report
- Restoring the Promise of Local Competition
- Impact of Eliminating DS-1 Loops/Trans
- Saving Local Competition
- “It’s Hard to Say Goodbye to BellSouth”

Summary

- No Changes Until FCC Permanent Rules
- Take Comments after Permanent Rules
- Take Comments for a Code of Conduct
- Exercise State Unbundling Authority
- Set Just and Reasonable “271” UNE Rates
- Include /Review Promotion/Winback Record
- Hold Hearings before Releasing New Plan