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Special Access /Are Consumers Hurt?
A Rural Perspective

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Key Points

- ◆ Reasonable special access rates, terms, and conditions are necessary for broadband deployment and continued universal service
- ◆ Rural areas present unique challenges
- ◆ Most rural carriers do not have competitive choices for special access services
- ◆ The FCC should consider using the prices charged in competitive markets as the appropriate price for less competitive areas

Reasonable Special Access Rates are a Necessity for Rural Carriers

- ◆ **Special access is necessary for**
 - Providing access to the outside world
 - Providing consumers affordable voice, data, and video services
 - Preventing rural consumers in high cost areas from having no service or substandard service
 - Interconnection between carriers and technologies
- ◆ **Unaffordable special access is a threat to universal service in rural America – particularly any desires for universally available broadband**

Rural Companies and their Customers Face Unique Challenges

- ◆ **Factors that increase the cost and challenges of serving rural customers**
 - Long distances
 - Transport is very distance sensitive
 - Tandems are fewer in sparsely populated areas so distances are greater
 - Internet backbone facilities are several miles away
 - Low density of consumers
 - Subscribers per square mile can be only 1 per square mile or less
 - Customers are spread outside of the town or community
 - Transport routes are thin

Rural Companies and their Customers Face Unique Challenges

- ◆ **Rural companies have no bargaining power**
 - Little or **no** choice of special access providers
 - Customer base not large enough to be attractive
 - As a result
 - Prices are not the same as in more competitive areas **and** prices have not been declining
 - Discounts are not available
 - Terms and conditions are standard - off the rack
 - Customer service is poor or lacking - Take it or leave it attitude
 - End to end market dominance of some providers results not only in high wholesale prices but also a price squeeze at the retail level

Real Life Stories

- ◆ **Special access costs for supporting one company's broadband retail customers has increased more than 100% over two years**
- ◆ **A company was told the special advertised access rate was available – only to be told in the end that it was only available in the major city not in the company's service territory**
- ◆ **One company wanted to extend the length of the contract but the carrier would not allow any change to the terms and conditions**

Real Life Stories

- ◆ **Special access costs are anywhere from 20 – 70% of the total broadband offering price**
- ◆ **A company could not get Ethernet in their area forcing them to buy and bundle TDM making it more costly**
- ◆ **A company said that they could not even get their calls returned**

Conclusion

◆ FCC should examine special access rates

- Actual data is important however a reasoned approach is not only practical but appropriate
 - Knowing who serves various market areas is important
 - Collecting price information from the major providers should give a good sense of the market
 - They are the price leaders
 - They are typically the only providers serving rural areas
 - Collecting data in all markets is important
 - Data should be collected to determine whether the rates paid by small customers are comparable to those paid in large markets
- The FCC should consider using the prices charged in competitive markets as the appropriate price for less competitive area