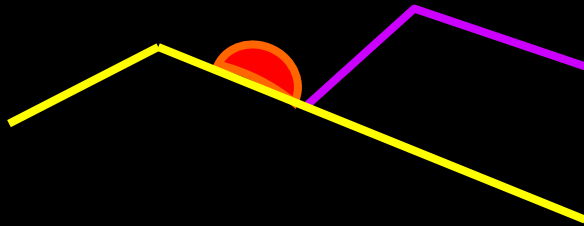
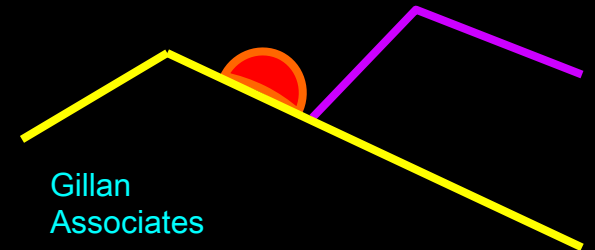


Universal Service Funding Reform - Billion Dollar Baby or a Fistful of Dollars?



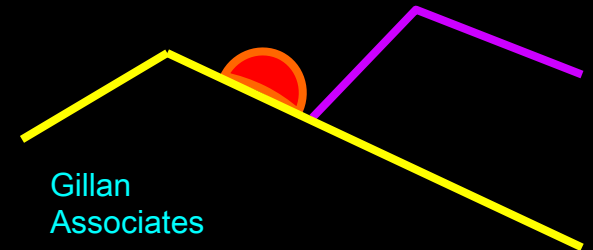
Joe Gillan
February 13, 2010

Do Not Subsidize Competition

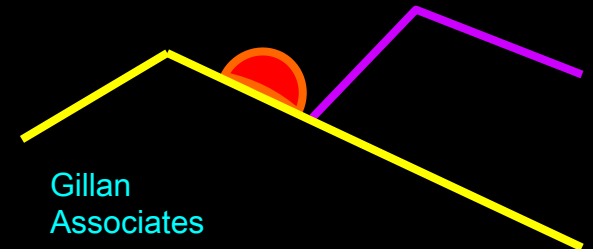


- Where there is not demand for one network, don't build two.

Do Not Subsidize Competition



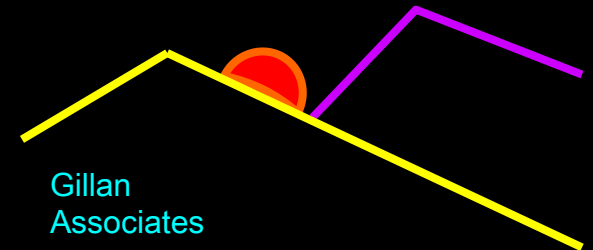
- Where there is not demand for one network, don't build two.
- Where there is competition, the incumbent is a competitor too.



“If Mr. Gillan had his way and the Commission were to disallow state USF support for access lines that are provisioned as part of a [deregulated] bundled or contract offering, carriers would likely increase the price for those bundles or contracts in rural areas of the state to recover the cost of providing service or would cease offering bundled services altogether.”

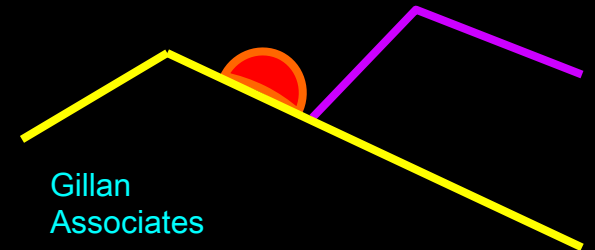
CenturyLink Testimony
SC Docket No. 2009-326-C

Do Not Subsidize Competition



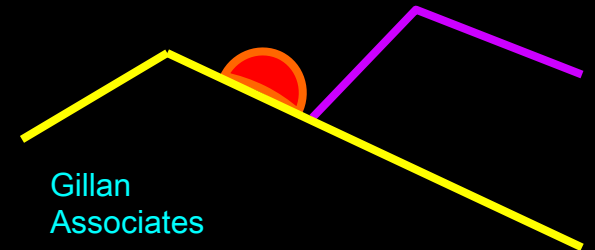
- Where there is not demand for one network, don't build two.
- Where there is competition, the incumbent is a competitor too.
- Competition eliminates the need for subsidy; deregulation eliminates its benefit.
- Reverse Auctions Present a Fundamental Paradox – Requiring Multiple Networks to Function, Yet Why Provide Subsidy Where Multiple Networks Exist?

Accountability



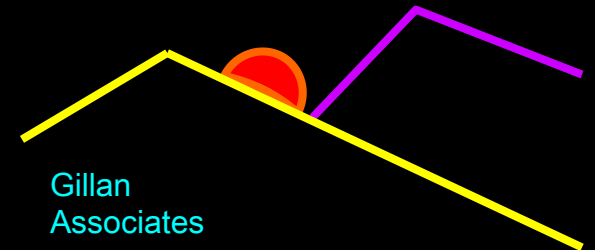
- Capital flows to where it is respected and treated well.

Accountability



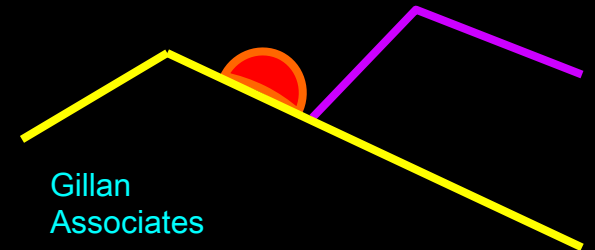
- Capital flows to where it is respected and treated well.
- How do you confirm the money is spent where you want?

Accountability

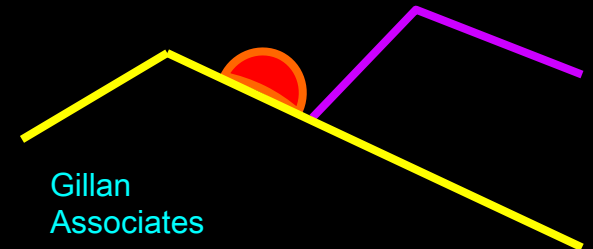


- Capital flows to where it is respected and treated well.
- How do you confirm the money is spent where you want?
 - Models don't identify where money will be spent.

Accountability



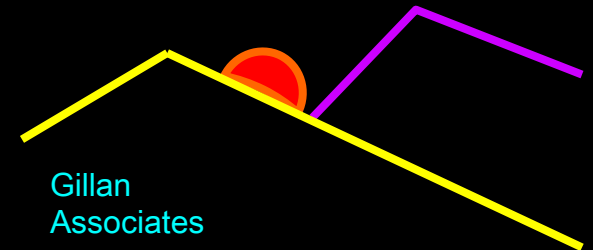
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 - Cost reimbursement doesn't demand efficiency.



Historically, the depreciation rates we utilized for our telephone operations were based on rates established by regulatory authorities. Upon the discontinuance of regulatory accounting, we revised the lives of our property ... to reflect the economic estimated remaining useful lives of the assets. In general, the estimated remaining useful lives of our telephone property were lengthened...

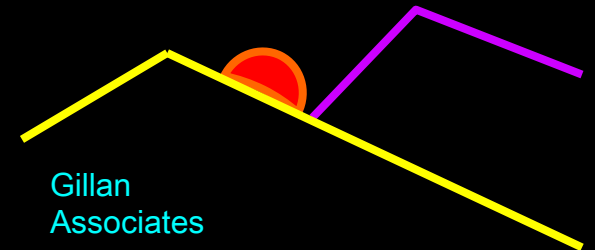
CenturyLink 2Q2009 10K

Accountability



- Capital flows to where it is respected and treated well.
- How do you confirm the money is spent where you want?
 - Models don't identify where money will be spent.
 - Cost reimbursement doesn't demand efficiency.
 - "Get permission, then show me the receipt."

Reform Requires Talent and Jurisdiction



- IP Networks (the future) are complex and very different than the traditional TDM architecture of the past.
- Broadband economics is driven by product lines far beyond regulatory influence.
- The “deregulation of VoIP” may mean that oversight of subsidy schemes is better housed in a different agency than the “energy commission.”