

# **Implications of VoIP on Rural Telecom Providers**

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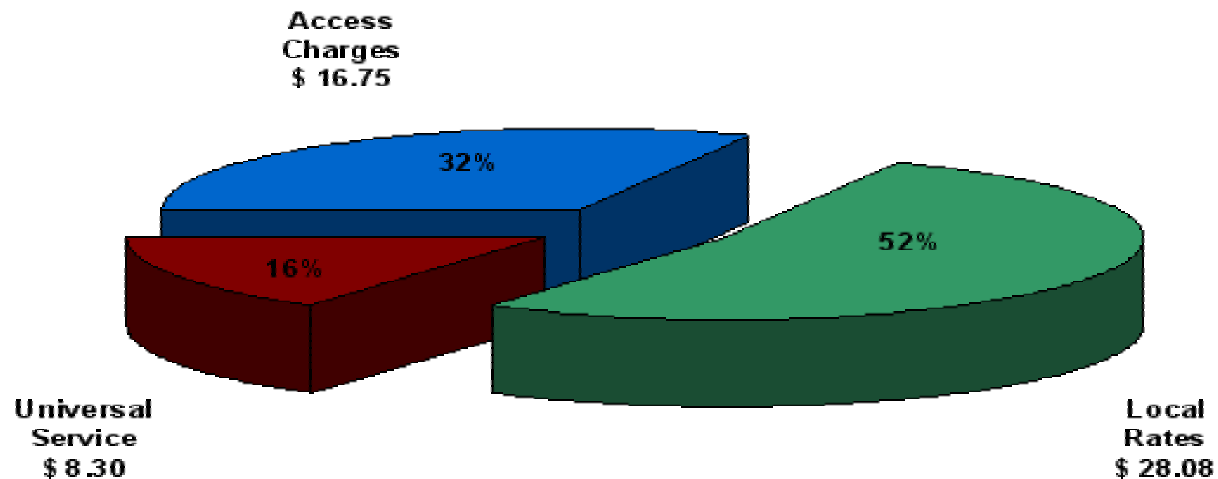
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# The Economics of Rural Telecommunications

- The costs to serve rural markets are significantly higher than in urban areas
- Rural Operating Characteristics:
  - Low population densities
  - High fixed costs to provide service
  - Longer loop lengths
  - Predominantly residential customer base
- CenturyTel, in many of our communities is the only provider of broadband service
- Cost recovery programs have been established to help maintain affordable rates in rural America

# Cost Recovery Mechanisms

RURAL COSTS ARE RECOVERED FROM THREE SOURCES



Average per line per month cost of service in rural areas

(Total average per line per month cost = \$53.13)

NECA 2001-2002 (Data from NECA companies)

# Consequences for Rural Customers

- **Improper regulatory treatment of VOIP could be negative for rural telecom consumers**
- **Adverse regulatory decisions could lead to:**
  - **Higher local rates for rural consumers**
  - **More pressure on USF**
  - **Reduced incentives to invest in rural telecom infrastructure**
  - **Creation of telecom have's and have not's from a service deployment standpoint**

# The VoIP Policy Debate

- ✦ LECs should receive compensation for VoIP traffic handled over the PSTN
- ✦ Broadband pricing in rural markets will have to rise if VoIP is utilized to bypass the payment of access charges
- ✦ The incentive to invest in broadband may diminish for rural LECs in light of VoIP
- ✦ VoIP providers should be regulated as a CLEC, pay termination charges, and contribute to the Universal Service Fund

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The logo for CenturyTel features the word "CENTURYTEL" in a bold, italicized, blue sans-serif font. A red swoosh underline is positioned beneath the text, starting under the 'C', curving upwards to arch over the 'Y' and 'T', and then curving downwards to end under the 'L'.