

REITs, Connect America Fund, and Network Neutrality: Implications for Network Evolution and Valuation - Panel

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TFI Communications Technology Asset Valuation Conference
January 28-29, 2015, Radisson Downtown, Austin, Texas

REITs

Implications for Network Evolution
and Valuation

REITs Q & A

Connect America Fund

Implications for Network Evolution
and Valuation

Connect America Fund

- A broadband-centric program to replace voice-centric high-cost Universal Service Fund
- Separate programs for price cap, rate-of-return and wireless carriers

Price Cap CAF Program

- Phase I (2013 & 2014) offered \$300 million to carriers at \$550-\$775 per line to bring 4/1 Mbps broadband to unserved homes
- Phase 2 to kick off this year

Price Cap CAF- Phase 2

- \$1.8 billion annual budget
- Carriers must deploy 10/1 Mbps to 95% of target area in a state
- Offered funding based on cost model
- Carriers accept or decline on state-by-state basis
- Funding for declined areas to be awarded through competitive bidding

Rural Broadband Experiments

- \$100 million provisionally awarded to 40 network operators
- Goal is to gain experience to shape competitive bidding for declined price cap areas
- Winners bid less than model based funding
- 3 categories: 100/25 Mbps, 10/1 Mbps, 10/1 Mbps for extremely costly areas

Rate-of-return carriers

- High-cost USF continues for several years
- New cost control measures- budget capped at \$2 billion annually
- Carriers must deploy 10/1 Mbps upon request if economically viable at existing support level
- What happens when high-cost USF ends?
Initial rural telco association proposal rejected. Transition to model-based funding?

CAF Q & A

Net Neutrality

Implications for Network Evolution &
Valuation

What is Net Neutrality?

- Operators required to disclose network management policies (*upheld*)
- Traffic blocking prohibited (*struck down*)
- “Unreasonable” traffic discrimination such as paid prioritization prohibited (*struck down*)

*(Per FCC guidelines adopted 2010,
Mostly rejected by appeals court in 2014)*

Where it Stands

- Appeals court said the FCC didn't have authority to impose rules on broadband traffic
- Consumer groups & President Obama want broadband classified as a Title II communications service (currently classified as an information service)
- Telcos & cablecos oppose Title II, saying it would open broadband to heavier regulation & hinder network investment

Where it Stands

- Chairman Tom Wheeler has hinted the FCC will reclassify broadband
- Republicans are championing Net Neutrality legislation, eliminating need to reclassify broadband

Net Neutrality Q&A

Thank you!

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