

Pennsylvania Telephone Association

*"The Communications
Leader in Pennsylvania"*

The Friday Report

February 27, 2009

INDUSTRY NEWS

- More tough news this week for Vonage which announced a net loss for the fourth quarter of \$40.9 million. The company lost 14,700 subscribers and now has 2.6 million.
- Not paying your bills has landed SkyWi in big trouble in New Mexico as the state's Public Regulation Commission is poised to "de-list" the company. Allegedly, the VoIP provider owes Qwest approximately \$1.7 million for transiting calls and the list of aggrieved telcos doesn't end there. Last month the PRC ordered all ILECs (other than Qwest who was required to give 10 days notice) to give 20 days notice to the Commission and SkyWi before discontinuing service. On Tuesday, Qwest met with state and federal regulators and agreed to keep connecting SkyWi calls until March 9th; the date which Windstream Communications and other ILECs have scheduled to quit carrying SkyWi traffic.
- More techies are needed at the FCC. So said panelists at this week's Federal Communications Bar Association seminar on the 75th anniversary of the FCC held in Washington, D.C. Ideas such as reviving the Technical Advisory Committee, and using outside expertise from national academies would help the FCC keep pace from a regulatory perspective.
- Earlier this week, the Tennessee Regulatory Authority voted unanimously in support of a Motion opening a docket to consider total telecom deregulation (See related story in Quotable section). AT&T immediately raised questions regarding the TRA action, saying that it will be difficult to determine precisely how competitive the state is, since obtaining data from unregulated carriers will be challenging.

LEGISLATIVE NEWS

- The five PUC Commissioners appeared before the House Appropriations Committee on Wednesday to answer questions on their budget for the upcoming fiscal year and a myriad of other issues the Commission is addressing. While much of the event focused on energy rate caps and the impact on consumers, several inquiries pointed to the agency's InfoMap system and how it plans to reorganize under Act 129. Specifically, Representative Doug Reichley asked whether the Commission's new computer system will ultimately save the Commission and regulated utilities any money. Chairman Jim Cawley responded that they were pleased with the new computer system and that while it's too early to tell, it may lead to a workforce reduction. Regarding Act 129 (Which provided the Commission with the framework to reorganize its internal structure), Cawley offered that the Commission is analyzing its structure and how best to reorganize,

but the legislation does not provide a timeframe for doing so. He also said that they may seek professional assistance in accomplishing the reorganization task.

- The new Chairman of the Senate Communications and Technology Committee released a memo this week outlining “preliminary committee goals” for the upcoming two-year session of the legislature. The memo from Senator Mike Folmer breaks down committee action into three subject areas, bill consideration, public hearings, and partnering with other committees. The committee plans to consider in the near future Senate Bill 123 (computer spyware), Senate Bill 155 (security breaches), and Senate Bill 299 (phishing), bills which were all passed unanimously in the Senate last session. The committee plans to hold public hearings on technology deployment since passage of the Chapter 30 legislation (PTA will testify), the Legislative Budget and Finance Committee report on cell phone service, and customer privacy issues. Finally, the body is looking to partner with the Senate Education Committee on Classrooms for the Future and the Senate Veterans Affairs and Emergency Preparedness Committee on deployment of the statewide radio network.

CONGRESS NEWS

- No one is really sure how quickly the FCC will get around to working on Universal Service issues, but at least one component of Congress is going to tee-up the issue in the near future. In opening remarks at an unrelated hearing this week, Representative Rick Boucher (D-Va) said that Universal Service Fund reform was next on the agenda for the House Energy and Commerce Committee’s subcommittee on communications, technology, and the Internet. March 12th is the tentative date for the USF hearing and Boucher said the “pace will accelerate” on the issue with hopes of reporting legislation to the full committee in the coming months.

THE DAILY NUMBER

- 1,300,000,000

In addition to the funding for broadband deployment in the recently enacted American Recovery and Reinvestment Act, the Obama Administration issued a “budget blueprint” this week which allocates \$1.3 billion to the U.S. Department of Agriculture for deployment of broadband in rural areas.

QUOTABLE

- *“While the breadth and scope of competition in Tennessee’s markets is continuing to develop, I believe the time has come for the Authority to establish a rulemaking to update and modernize our rules governing telecommunications. The Rules should reflect the realities of today’s market place and give guidance to incumbent carriers as to how and when to petition the Authority to trigger the deregulatory statute found in Title 65. Such rules should also follow an expedited process for quick resolution of pending petitions. The move to total deregulation must be done carefully so as not to cause harm to consumers without competitive alternatives. It is clear to me that the General Assembly entrusted us to act judiciously. By taking such action, we are not superseding or overstepping our role but rather implementing the important charge the General Assembly delegated to us. In responding to markets, companies need quick resolution. It is time to establish rules to facilitate and streamline requests for regulatory exemption*

under this statute. In crafting the rule, I feel it is important to include some basic safeguards, such as Lifeline and Linkup service continuation, to ensure that consumers are protected even after regulation is diminished.”

Excerpt from the Motion of Tennessee Regulatory Authority Chairman Eddie Roberson opening a docket to consider deregulation of the state’s ILEC industry. The Motion was unanimously adopted by the TRA at its public meeting this week.