



Century**Link**TM

IP Interconnection: Establishing the Right Framework

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Statutory & Policy Goals

- Preference for Negotiation
- Competitive & Technological Neutrality
- Bundling & Service Differentiation
- Changing Universal Service Obligations
- Price Deregulation
- Efficiency
- Fairness
- Workable Transitions

Market Dynamics

- Technological Evolution
 - ✓ Implausible that today's network is end state
- Changing Economics (IP is different)
 - ✓ Technical feasibility \neq economic feasibility
- No Dominant Provider
 - ✓ Regulators cannot rely on cross-subsidies
 - ✓ ILECs \leq 40% of voice customers
 - ✓ New Providers Have Largest Shares
- No Established Technical Standards
- Negotiation is Working

Characteristics of an Efficient Framework

- Follows Rather than Leads Market
 - ✓ Codify consensus rather than predict outcomes
 - ✓ Equilibrium with other regulations
- Prefers Negotiation Over Mandates
 - ✓ Agreements rather than tariffs
 - ✓ Case-by-case resolution before rules
- Facilitates Innovation and Competition
 - ✓ Responsive to changing technology/economics
 - ✓ Treats all providers the same
 - ✓ Doesn't prejudge outcomes or force investment

Application of Sections 251/252

- Based on the Wrong Market Paradigm
- Doesn't Apply Uniformly or Fairly
- Likely Based on Incorrect Technological and Economic Assumptions
- Service Reclassification Not Sensible
- Doesn't Support Forced Investment Anyway