



Century**Link**TM

Telecommunications Issues in NM

**Economic & Rural Development
Legislative Interim Committee
September 20, 2012**

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CenturyLink in New Mexico

- CenturyLink employs nearly 625 people in New Mexico. Approximately 350 work in the Albuquerque-metro area.
- In 2010, CenturyLink paid approximately \$55 million in payroll, with another \$18 million in property and other taxes.
- In the past 10 years, Qwest/CenturyLink has invested over \$1 billion in its New Mexico infrastructure, *much of it in areas also served by competitors where capital recovery is subject to market forces.*
- Since 2008 over \$300 million in capital investments have been made throughout New Mexico in broadband expansion, central office redundancy and diversity, cable rehabilitation, expansion of network and advanced telecommunications technology and finally capacity augmentation.
 - CenturyLink broadband service reaches over 85 percent of the households it serves in New Mexico, and reaches 75 percent of customers in **every** rural community!
 - CenturyLink is committed to improving and expanding broadband availability and increasing connectivity speeds to consumers.



Effective Competition in New Mexico

- Competition is real and growing in New Mexico as CenturyLink faces competition from large competitors including wireless providers like AT&T, Verizon, Sprint, T-Mobile, cable companies like Comcast and Cable One, VoIP providers like Vonage and MagicJack, and wireline companies like tw telecom, City Link, and Cyber Mesa, and many others.
 - Policymakers in a vast majority of states have relaxed Incumbent Local Exchange Carrier's (like CenturyLink) regulations in recognition of competitive forces; New Mexico is rather unique in its lack of regulatory relief.
- Petition filed with the PRC on September 9, 2011.
 - Based on NMSA 63-9A-8 from the mid-1980's.
 - Requires the PRC to determine if public telecommunications services are subject to "effective competition."
 - If CenturyLink's markets are found to be effectively competitive, then the PRC must determine the appropriate regulatory changes to "modify, reduce or eliminate rules, regulations and other requirements applicable to the provision of such service." The PRC must also ensure that competitors in the same market are regulated under the same standards.
- Attempts have been made to update the NM statute to reflect today's competitive environment, however, CenturyLink's competitors have fought hard to stall any legislation.

CenturyLink is currently a highly regulated company in a mostly unregulated communications environment

Is there communications competition in NM?

- New Mexico markets are highly competitive
 - More than half of NM business and residential consumers have chosen a provider other than CenturyLink for their communications service.
 - Large, well-funded Competitive Local Exchange Carriers (CLEC), wireless, VOIP and Cable TV competitors are either lightly regulated or not regulated by the PRC.
 - Wireless phone numbers in NM now outnumber landlines by more than two to one.
 - *CenturyLink serves only 34% of the homes in its service area.*
 - US Census Bureau reports that NM's population has grown from 1,819,041 in 2000 to 2,059,179 in 2010, an increase of 13.2%.
 - At the same time, CenturyLink's access lines have decreased from 883,302 to 541,955 – a decrease of 39%
- Hundreds of millions of dollars in Government grants and stimulus funds are supporting competition in much of CenturyLink's service area in NM, for example:
 - ENMR: deploying fiber in Raton, Las Vegas, Springer, Roswell, Belen---\$27.8 million.
 - Kit Carson: deploying fiber in Questa and Taos--- \$63.7 million.
 - NMDoIT: building facilities throughout the state to provide “broadband access to community anchor institutions.”--- \$3.8 million.
 - Many of these deployments are nearly on top of existing CenturyLink fiber, *using public funding to create artificial competition **against** private investment.*
 - Again, these entities are either lightly regulated or not regulated at all by the PRC, *thereby achieving an unfair competitive advantage.*

What is CenturyLink asking the PRC to do?

- If CenturyLink's markets are found to be effectively competitive by the PRC, CenturyLink is seeking the following relief:
 - Modify existing regulation (not deregulation) of service quality of retail telecommunications services throughout NM to be in parity with all Competitive Local Exchange Carriers (CLECs) in the state and recognize the power of competitive markets to produce increased innovation and investment at fair prices.
 - Regulatory parity with CLECs on minimum pricing rules.
- CenturyLink is NOT seeking the following:
 - Any change to current regulatory treatment of services provided to CLECs that are governed by federal law, intrastate switched access services, emergency (9-1-1) services.
 - Regulatory parity with CenturyLink's most significant competitors – wireless and cable telephone, because these providers are not regulated by the PRC at all.

How other parties view Effective Competition:

Direct Competitor of CenturyLink:

- Verizon: “Today, there are no barriers to entry, and numerous new service providers have entered the market to provide residential and business customers with a broad array of diverse and innovative service offerings.” Verizon petition in case #11-00305 UT, filed August 8, 2011.

Those who prefer to keep CenturyLink heavily regulated:

- PRC staff: “Staff recommends the Commission deny Qwest’s Petition on the grounds that CenturyLink QC has failed to carry its burden showing those services are subject to effective competition under the criteria set forth in NMSA 1978 63-9A-8.” Direct Testimony of Michael Ripperger, filed September 10, 2012.
- NM Attorney General’s expert: “CenturyLink QC’s petition should be denied since it has not demonstrated there is effective competition in each relevant market area using data focused on the relevant product market.” Direct Testimony of Warren Fischer, filed August 24, 2012.



Who Benefits from a competitive market?

- The short answer is consumers!
- A competitive market will:
 - Provide consumers with a choice of their provider.
 - Provide better opportunities for infrastructure investment and innovation.
 - Provide opportunity for consumers to get special offers and discounts.
 - Force competitors to “step up” and provide the best possible service at the best possible price to consumers.
 - Place the power in the hands of consumers and require providers to be effective and efficient to deliver the communications solutions they desire.

Universal Service Fund (USF) Reform

- The FCC has fundamentally transformed the federal USF.
- Historically, the Federal USF was used to support the high cost of providing voice telephone service in rural areas.
 - Support was based on a company's averaged study area (generally statewide) costs. Now, it will be based on targeted smaller census blocks to better align support with costs.
 - CenturyLink received some Federal USF in its Zuni and Pecos exchange service areas in New Mexico. No support was received in the former Qwest service areas.
- Goals of the FCC's Transformation Order.
 - Expand broadband networks.
 - Maintain universal voice service.
 - Begin reform of the intercarrier compensation system.
 - Manage impacts of change over a transition period.
 - Some carriers will receive more Fed USF while others will likely see a decrease in funding.
- The PRC must decide how the New Mexico State USF should be utilized to fill any gaps in funding.
 - Legacy Qwest areas receive no State USF support.
 - Must tailor support to the unique needs and circumstances in New Mexico to fulfill broadband and voice policy goals.
 - Must decide what to do with Carrier Of Last Resort (COLR) obligations and whether to fund or remove the obligation.

Impact of USF reform to NM consumers

- Universal Service Policy pits rural vs. urban/suburban interests.
- Urban/suburban areas do not need a universal service policy to thrive.
- Consumers in rural high-cost areas are dependent upon an effective universal service policy.
 - CenturyLink provides service to more rural New Mexico consumers than all other rural companies in New Mexico combined.
- USF funding must be obtained from all carriers/consumers on a competitively equal basis.
- The FCC recently launched a Federal USF contribution reform proceeding.
 - Three overarching reform principles: Fairness, Efficiency, Sustainability.
- The PRC will need to decide if changes need to be made to the state USF.

USF reform should be about consumers...not companies!