



# Telecommunications Carrier of Last Resort: Necessity or Anachronism?

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## The Communications Act of 1934 established the concept of universal service

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“A nationwide, regulated telecommunications network available to . . . to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex. . . with adequate facilities at reasonable charges, for the purpose of the national defense, for the purpose of promoting safety of life and property through the use of wire and radio communication. . .”

- Ensures comparable service for rural and urban areas
- Requires carriers to serve all customers (carriers/providers of last resort) on request
- Defines carriers that may receive federal (and State) funding for high cost areas, Lifeline, and other support

## Carriers of last resort ensure that all customers have access to affordable service

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*A carrier (or provider) of last resort is a telecommunications company that commits (or is required by law) to provide service to any customer in a service area that requests it, even if serving that customer would not be economically viable at prevailing rates.*

- Provide service on request throughout their local exchange
- May recoup the cost for line extensions
- Generally applies to carriers that provided service before the passage of the 1996 Telecommunications Act
- Includes wireless, cable, or IP-enabled (VoIP) as designated by state law (i.e., technology neutral)
- Service must be comparable regardless of where it is provided (urban vs. rural service)

## COLR service is not unique to telecommunications

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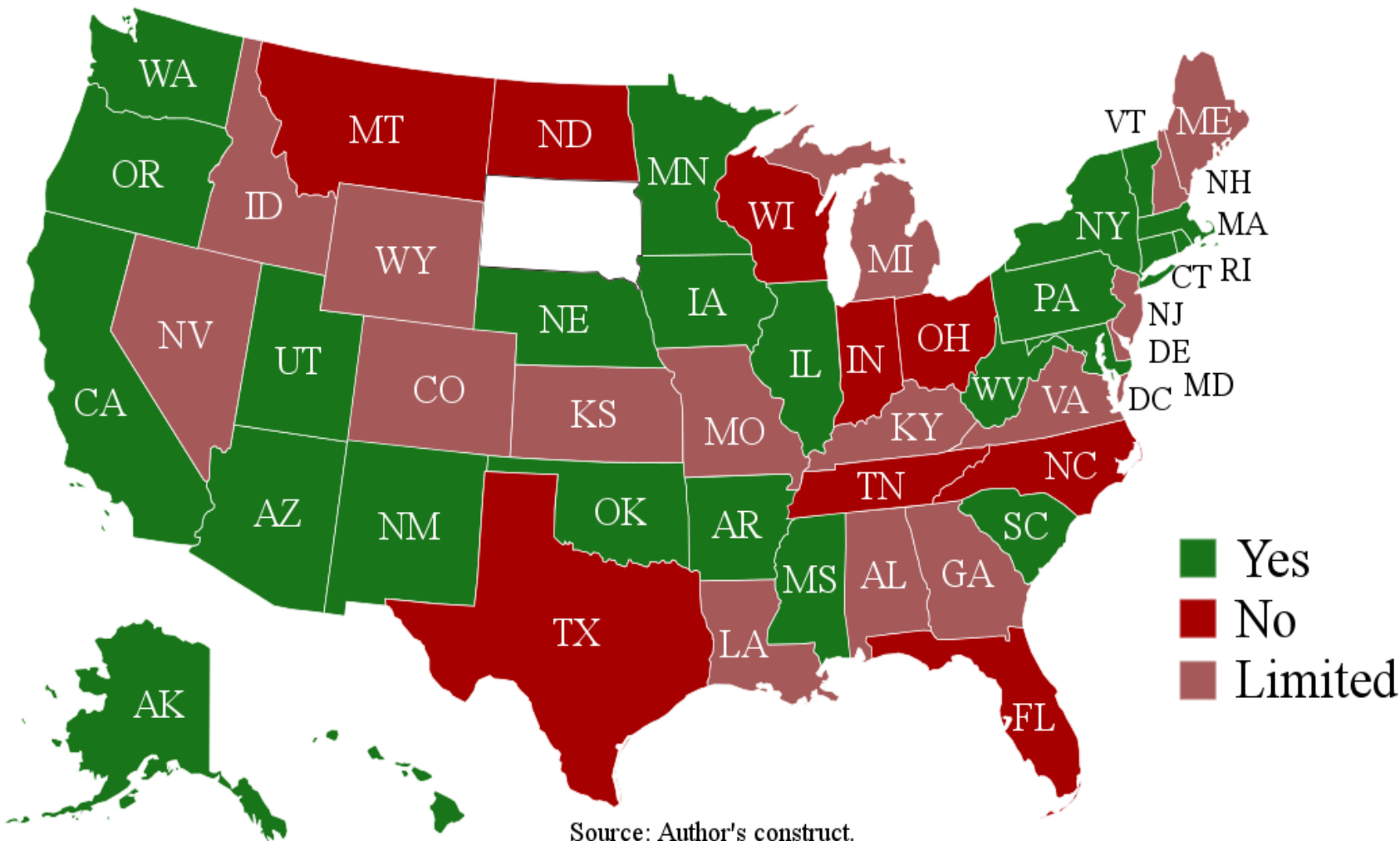
- COLR service is a cornerstone of utility regulation
  - Ensures that all consumers have access to electric service
  - State PUCs designate electric utilities to provide “last resort” service to consumers who cannot buy elsewhere
- COLRs create a safety net for customers when their chosen provider leaves a competitive market or is unable to continue service
- Regulated COLR rates are set through rate cases and may differ rates depending on location and requirements
- Telecommunications rates are market based
  - Federally established rate floor
  - State specific requirements for “basic local service”

## Is COLR a statutory requirement for telco or an implied part of the network compact?

- COLR requirements are implicit or explicit depending on state statutes
  - Carriers must provide service to all customers in their territory
  - Carriers may not withdraw intrastate service without State commission approval
  - Carriers must provide basic service at a price fixed by the State commission
  - Service must meet quality and availability standards (ETC requirements)
- By 2014, 25 states had eliminated or revised COLR requirements
  - Presence of effective competition
  - ILEC line loss (Louisiana)
  - Elimination of regulation generally
- 24 states continue to require ILECs to provide COLR service (updates in progress)



# COLR Requirements are both explicit and implicit



Source: Author's construct.

- Provide service to all customers throughout the service territory
  - Basic local dial tone service
  - Offer basic service using any technology
  - Meet quality of service requirements for specific groups
  - Serve as an eligible telecommunications carrier (ETC)
- USF funding for providers in rural areas without unsubsidized competitors
- Service generally not required where communities have contracted with a non-ILEC competitor
- Key questions going forward
  - Should/can COLR requirements continue?
  - Should broadband COLR be a new requirement?

## NRRI 2016 COLR study and report

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- **Goal:**

- Determine the status of COLR in the 21<sup>st</sup> century
- Assess the need for continuing COLR requirements
- Provide objective data for states contemplating revisions to COLR policy
- Assist State regulators in determining how to ensure the continuation of universal telecommunications service

- **Process:**

- 50 state COLR survey
- Identify COLR requirements by state
- Examine the context of the requirements (e.g., statutes, current legislation)
- Assess the impact of the removal of COLR requirements on universal service



## NRRI study will address key questions about COLR in the 21<sup>st</sup> century

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- Will/should COLR requirements survive the IP Transition?
  - Legislation limits IP oversight in many states
  - Is COLR a voice requirement or should it be extended to broadband
  - The National Broadband Plan envisions a broadband COLR, is this a viable idea
- Should COLR requirements be broadened to include all carriers?
  - ILECs line loss reducing their dominant position
  - Last mile still an issue
  - Customers switching to non-traditional carriers or cutting the cord all together
- Can competition ensure the continued availability of service to all customers regardless of location?