FCC NEWS from the Federal Communications Commission

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**For Immediate Release**

# FCC ADVANCES DELIVERY OF MODERN BUSINESS DATA SERVICES IN RURAL AMERICA

WASHINGTON, October 23, 2018—The FCC today took steps to advance the delivery of modern, competitive business data services in rural areas.

Building on earlier efforts to promote efficiency and increase competition, the FCC is allowing certain rural telecommunications carriers the opportunity to transition from burdensome and inefficient rate-of-return regulation to light-touch incentive regulation for their business data services. This framework will benefit the rural economy through increasingly competitive, efficient, and modern business data services markets.

Business data services are critical to businesses, government, and consumers across the country, providing the secure and reliable transmission of data required for retail services like ATMs and credit card readers, as well as for enterprise business and government networks that link remote offices or connect to cloud data storage and the Internet. Recognizing the importance of business data services to the nation's economy, the FCC in 2017 modernized its regulation of those services for large carriers – known as price cap carriers – to encourage deployment of modern, packet-based services.

To bring that modernization to rural America, today's Order builds on the 2017 framework, which was recently upheld almost entirely by the U.S. Court of Appeals for the Eighth Circuit. The carriers eligible for this modern framework are those that are receiving fixed rural universal service support, typically through a cost model, a framework that is a more efficient alternative to traditional, cost-based mechanisms.

Eligible carriers include the over 200 carriers that opted into the FCC's Alternative Connect America Cost Model, 13 companies receiving support through the Alaska Plan program, and others affiliated with price cap carriers. The new framework grants these carriers flexibility to offer volume and term discounts and individualized contract offerings for their legacy business data services, relief from restrictive cost support requirements, and detariffs their packet-based and higher speed business data services. Specifically, for carriers that opt in, the Order adopted today:

- Provides an opportunity for eligible rate-of-return carriers to move their legacy business data services to incentive regulation that is similar to the price cap regulation adopted in 2017. Legacy business data services are those that operate at lower speeds – 45 Mbps (DS3) or less – and use a network protocol known as "time-division multiplexing," or TDM.
- Relieves electing carriers' lower speed TDM-based services that go to end-user customers of *ex ante* pricing regulation in areas deemed competitive by a competitive

market test. These services are known as "end user channel terminations."

- Eliminates *ex ante* pricing regulation of electing carriers' higher speed TDM-based business data services (above DS3) and their packet-based business data services.
- Forbears from requiring electing carriers to comply with cost support, cost assignment and jurisdictional separations requirements.

The Further Notice of Proposed Rulemaking seeks comment on creating a pathway to ending *ex ante* pricing regulation for the lower speed TDM-based transport services of rate-of-return carriers opting in to the incentive regulation framework the Commission adopted today. These services provide higher volume connections between points of traffic aggregation on the network rather than serve end-users.

In addition, a Second Further Notice of Proposed Rulemaking addresses a remand in the Eighth Circuit's decision on the 2017 rules by seeking comment on a proposal to remove pricing regulation of the TDM transport services of price cap carriers.

Action by the Commission October 23, 2018 by Report and Order, Further Notice of Proposed Rulemaking, and Second Further Notice of Proposed Rulemaking (FCC 18-146). Chairman Pai, Commissioners O'Rielly and Carr approving. Commissioner Rosenworcel concurring. Chairman Pai, Commissioners O'Rielly, Carr, and Rosenworcel issuing separate statements.

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