Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	

COMMENTS OF THE
UNITED STATES TELECOM ASSOCIATION

The United States Telecom Association (USTelecom)[1] is pleased to submit its comments in response to the Commission's Further Notice of Proposed Rulemaking ("FNPRM")[2] seeking comment on whether additional high-cost funding for the voluntary path to the model should be provided. In the FNPRM, the Commission notes that commenters to the Bureau's A-CAM Election Results Public Notice uniformly supported increasing the A-CAM budget by more than $50 million.[3] USTelecom's position has not changed and it continues to support the provision of additional funding to fully fund the A-CAM.

At the time that the *Rate-of-Return Order*[4] was adopted, there was no way to anticipate that such a large number of Rate-of-Return ("RoR") companies would elect the A-CAM. However, the high demand for support to build-out broadband to Rural America is a clear

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[1] USTelecom is the premier trade association representing service providers and suppliers for the telecom industry. Its diverse member base ranges from large publicly traded communications corporations to small companies and cooperatives – all providing advanced communications service to both urban and rural markets. USTelecom members provide a full array of services, including broadband, voice, data and video over wireline and wireless networks.

[2] *See In the Matter of Connect America Fund*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 10-90 (Dec. 19, 2016) (*A-CAM Order & FNPRM*).

[3] *Id.* at ¶19.

[4] *See In the Matter of Connect America Fund*, Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, WC Docket No. 10-90, 31 FCC Rcd 3087 (Mar. 23, 2016) (*Rate-of-Return Reform Order*).

indication of the importance of not only the Connect America Fund ("CAF") program, but also of the significant expense associated with deploying broadband to the most rural parts of this country. The industry appreciates the Commission's efforts to support the fund by adding the additional allocation of $50 million annually,[5] however, even with this additional funding the per location funding amount is below the $146.10 amount allowed for price cap carriers, indicating that even more funding is needed to ensure that broadband deployment reaches its fullest potential. As Commission O'Rielly himself said in a recent blog posting, "we [the Commission] should redouble our efforts to build out to areas without service or lacking sufficient service today through market-based mechanisms."[6] Commission O'Rielly goes on to add that, "the FCC's high-cost program is oversubscribed compared to its budget, which is appropriately tied to how much we can extract from consumers, meaning that there is room to add additional funding that would lead to further deployment gains. I would argue that such funding should be directed into the Commission's existing high-cost subsidy program. Because the program is oversubscribed within the current budget, there is room to inject funding without causing dramatic changes or jeopardizing its operation…. In short, increasing the allocation with other resources would allow greater broadband expansion in a timely and more cost-efficient manner, and with less influence peddling."[7]

The release of the *A-CAM Order & FNPRM* presents the Commission with just such an opportunity to provide additional funding and determine how it can most effectively achieve broadband deployment in high-cost portions of Rural America. That coupled with the call by the

[5] *A-CAM Order & FNPRM* at para. 2.

[6] https://www.fcc.gov/news-events/blog/2017/02/01/federal-broadband-infrastructure-spending-potential-pitfalls (Feb. 1, 2017).

[7] *See Id.*

new administration to create a substantive infrastructure program that includes broadband deployment, it is clear that there is a mandate from Rural America that more support for infrastructure programs is needed. Indeed, when the Commission adopted the *Rate-of-Return Reform Order*, the Commission noted that although $200 per-location funding cap is significantly higher than what was adopted for purposes of the offer of support to price cap carriers, it is still a cap that is lower than the true costs in rural areas where just the ***average*** cost is $252.50 per location.[8] While setting the cap at $200 per-location was an attempt to fit within the budget, it fails to reflect the actual higher cost areas that are expected to be served by rural carriers.

USTelecom, along with others in the rural telecommunications industry, believes that given that the initial offer of A-CAM support was made at $200 per location, the Commission should stand behind its policy to ensure the proliferation of broadband by fully funding the A-CAM through an additional allocation in annual support to meet the current shortfall in the budget. USTelecom views this approach as not only helping to bridge a significant portion of the "rural divide," but also ensures the integrity of the program.

At the same time, the Commission should also strive to enhance broadband deployment and adoption by fully funding the CAF BLS mechanisms for non-model electors. The need to ensure sufficient funding for standalone broadband services and sustainable network deployment under the non-model RoR mechanisms has always been a policy goal of the Commission. The problem remains, however, that current support that is capped at 2011 high-cost support levels, which when coupled with a substantial and unpredictable "budget control" reduction, forces carriers to charge broadband service rates far above reasonably comparable urban rates. In the

[8] *See Rate-of-Return Reform Order*, 31 FCC Rcd 3087, 3308, para 52.

first half of the year, the budget control mechanism reduced support for non-model RoR carriers by almost $80M or 10%.[9] This equates to an annual reduction of $160 million. So in addition to considering additional funding for ACAM, the FCC should consider the needs of the 800+ study areas that did not accept the model because this not only hurts carriers' ability to be competitive in their markets, but also causes continued shortfalls in their ability to recover and sustain past investments and enable new development. It is important to note that sufficiency of support is not only a laudable policy goal, but it is also an important part of Section 254 of the Communications Act of 1934, as amended, which establishes the need for specific, predictable, and sufficient support.

The FNPRM also seeks comment on what should happen if the Commission is able to add some additional funds, but not fully fund the A-CAM. Should the Commission only be able to provide additional partial funding, it should modify the associated fully funded (25/3 and 10/1) and partially funded (4/1 and reasonable request) build-out obligations for A-CAM adopters accordingly. Given the high cost of providing service in Rural America, carriers should not be required to meet build out obligations that are not commensurate with the available funding. It is estimated that fully funding the A-CAM would require an additional allocation of $75 million above the $50 million already allocated. USTelecom sees the additional $75 million as a very reasonable request given that the rural carriers are willing to accept a per-location amount far below what is truly necessary to support broadband deployment in rural areas. While a lower per- location amount of $146.10 is consistent with the level of support given price cap carriers, rural carriers are building in parts of the country that are far more isolated, sparsely

[9] *See* USAC analysis of the effect of the budget control mechanism http://www.usac.org/_res/documents/hc/xls/budget-analysis/2017-1-Half-Budget-Analysis.xlsx.

populated and subject to harsh terrain that makes them significantly more costly to serve than typical price cap service areas. Furthermore, the much smaller size of these companies and customer bases limits their ability to average the costs of serving their locations. These difficulties in combination with the fact that the Commission is requiring A-CAM participants to build some locations at 25/3 whereas price cap carriers were only required to build at 10/1 further supports the argument that additional funding is warranted.

USTelecom is of the view that the requested additional amount is not outside the scope of funds that the Universal Service programs and CAF reserves have available. Indeed, it is our understanding that there may be some savings in the first few years of the Mobility II fund that could help offset the additional support for the first couple of years. In any event, it seems clear that the expressed priority to get broadband to Rural America via the high-cost program necessitates additional funding.

Respectfully submitted,

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