

Achieving the Broadband Vision for ALL Americans

NECA, NTCA, OPASTCO, and WTA (The Rural Associations) applaud the FCC for the intent of the National Broadband Plan (NBP) to harness the enormous potential of broadband to improve the lives of Americans, revitalize the economy, and deliver significant and well documented benefits in the areas of health care, education, energy and the environment, economic opportunity, government performance, civic engagement and public safety. But certain provisions of the NBP, as currently written, will have serious unintended consequences for rural America that must be addressed if all Americans are to realize and benefit from the NBP's broadband vision.

Our member companies are small rural carriers that serve remote and sparsely populated areas where there often is no business case for building and operating networks, absent universal service support. Our members rely upon support from the universal service fund (USF) and intercarrier compensation (ICC) to recover the majority of their network deployment and operating costs. Proposals to redirect this support to larger carriers' unserved areas – or eliminate it altogether – will cause our rural networks to fail or suffer severe degradation, resulting in less, not more, broadband service for rural consumers and businesses. History demonstrates that shifting from proven rate-of-return (RoR) cost recovery methods to price cap "incentive" regulation is likely to minimize, if not eliminate, incentives to expand and improve broadband networks in costly rural areas. The reforms proposed in the NBP, including the expectation that urban consumers will have 100 Mbps broadband in urban areas while limiting cost recovery for rural networks to 4 Mbps, risk creating and perpetuating a digital divide with serious negative consequences for rural consumers and rural economies.

To address these shortcomings and risks, the Rural Associations respectfully recommend that any USF and ICC reforms serve the following objectives:

1. ENSURE THAT SUFFICIENT UNIVERSAL SERVICE FUNDS ARE AVAILABLE

The FCC should take immediate steps to make the USF more sustainable and capable of truly achieving the NBP's broadband goals.

- a. Eliminate the Identical Support Rule for non-incumbent USF recipients.
- b. Fund only one fixed and one mobile provider of last resort (POLR) in each geographic area.
- c. Avoid arbitrary caps on the USF and expand the USF contribution base to provide the support necessary to do the job outlined by the NBP

2. APPROPRIATELY STRUCTURE THE NEW CONNECT AMERICA FUND (CAF)

After an appropriate transition period, replace the current USF mechanisms with a new CAF that includes appropriate provisions to ensure efficiency and accountability, while providing appropriate incentives for the construction and operation of the rural networks necessary to achieve the NBP's goals. The CAF should recognize the legitimate differences between small rural carriers and larger carriers that serve both rural and urban markets.

- a. Small Rural Carriers
 - i. Each CAF recipient would be required to act as the POLR throughout its service area and satisfy robust availability, affordability, and service quality obligations.
 - ii. The CAF would work in concert with RoR regulation to provide incentives for needed infrastructure investment, and support the actual cost of deploying and operating broadband-capable networks, subject to reasonable measures to ensure efficient operations.
 - iii. Carriers would be given the option to reduce intrastate access rates to interstate levels, with federal universal service support providing replacement cost support – subject to a reasonable local rate benchmark.
- b. Larger Carriers
 - i. For larger POLRs that have not deployed broadband in rural portions of their service areas, the FCC should establish rules that ensure CAF support is appropriately tailored to enable such deployment in an efficient and accountable manner.

3. ENSURE THAT ALL AMERICANS HAVE ACCESS TO REASONABLY COMPARABLE BROADBAND SERVICES

To avoid the creation of a harmful "Digital Divide," the FCC should focus on enabling POLRs to offer broadband services and rates that are reasonably comparable to those in urban areas, in accordance with Section 254(b)(3).

The following pages provide additional details on these policy proposals.