

## An Action Plan for Promoting and Sustaining Rural Broadband

Small rural providers have made tremendous strides deploying broadband-capable networks throughout their service territories. Despite serving sparsely populated areas representing nearly 40% of the country's land mass, these carriers have deployed at least DSL-capable broadband to over 92% of their subscribers as of 2009 (up from 79% in 2005). With long-standing commitments to their communities, these carriers have been gradually moving forward with investments in scalable network technologies that support today's and tomorrow's broadband-enabled applications and services. However, the job is far from complete in many places to reach the speeds and capabilities envisioned by the National Broadband Plan (NBP), and the long-term availability and affordability of broadband in rural America needed to achieve desired adoption rates depends upon continuing sustainable support for investment and operations in hard-to-serve areas.

Unfortunately, these investments and operations are at risk, and rural consumers and small businesses could suffer. While policy-makers have indicated that affordable universal broadband should be a priority objective, certain NBP universal service fund (USF) reform proposals could have the unintended consequence of undermining this objective. Reforms focused primarily on reaching "unserved" areas fail to acknowledge that many areas have access to broadband today precisely because high-cost universal service funding continues to support those investments and operations. Such reform proposals also fail to recognize that many rural areas may appear "served" under current definitions of broadband, but not under the definitions contemplated by the NBP. Proposals to redistribute USF funds not only run the risk of limiting future investment in broadband, but also present the very real prospect that existing investments in rural broadband infrastructure will become unsustainable. This means that fewer rural Americans might ultimately enjoy access to affordable high-speed broadband services as a result of reform.

**NECA, NTCA, OPASTCO, and WTA ("Rural Associations") recognize that reform is needed to ensure that affordable, high-speed broadband becomes and will remain available to all Americans. The Rural Associations have been working together to ensure that USF reform promotes and sustains investment in broadband services throughout the United States, and they have developed the following reform proposal for consideration by policy-makers.**

### The New Connect America Fund:

- The FCC should take several near-term steps to reduce demand on the federal USF and increase the contribution base: (1) eliminate the identical support rule for non-incumbent USF recipients; (2) fund only one fixed and one mobile provider-of-last-resort in each geographic area; and (3) require all broadband Internet access providers and others whose business models rely upon broadband access to contribute to USF. Such steps are essential to eliminate unjustifiable support distributions while also allowing for the fund growth necessary to achieve and maintain ubiquitous high-speed broadband.
- After an appropriate transition period, the FCC should replace existing USF mechanisms with a new Connect America Fund (CAF) to support networks that offer both broadband and quality voice services. Each CAF recipient would be required to act as the provider-of-last-resort and satisfy robust availability, affordability, and quality-of-service obligations throughout the geographic area for which it receives funding.
- For small providers-of-last-resort operating in rural study areas, the CAF would work in concert with rate-of-return regulation to support the actual costs of deploying and operating broadband-capable networks. Recoverable costs would include "middle mile" and Internet connectivity costs needed to ensure that consumer broadband services operate at adequate speeds, as well as network costs that would no longer be recoverable through a reformed intercarrier compensation system.
- To reflect the increasing use of local networks for broadband services, some loop costs currently allocated to the intrastate jurisdiction for cost recovery would be assigned to the interstate jurisdiction based upon each provider's broadband adoption rate – as broadband adoption increases over time, a greater percentage of costs would be reassigned.
- Recovery of actual costs from the CAF would be offset by a broadband Internet access benchmark that reflects the cost of comparable broadband service in an urban area. Under the new program rules applicable to small rural providers, the CAF would promote efficient investment and enable recovery of the specific costs associated with the deployment and ongoing operation of broadband-capable networks in hard-to-serve, high-cost rural areas.
- For larger providers-of-last-resort who have not deployed broadband in rural portions of their service areas, the FCC should establish additional rules to ensure that CAF funding is appropriately tailored to incent and support such deployment.