

High-Cost Universal Service Support – The Overlooked Adoption Success Story

The Challenge of Promoting Adoption

Promoting adoption of broadband services is one of America's most significant communications policy challenges. Broadband adoption is a particularly pressing challenge as civic, economic, educational, and medical interactions increasingly migrate online. Yet a recent Pew Internet Study reports that approximately 21% of adult Americans do not use the Internet. According to one of the primary authors of the National Broadband Plan, a recent FCC study "confirmed what other studies have suggested – that cost is the single largest reason . . . non-adopters do not adopt." The General Accounting Office has likewise observed that the primary national concern today with respect to broadband is not network availability, but rather costs that deter adoption.

Much of the focus on how to address adoption concerns has centered on programs to enable low-income consumers to obtain broadband access. **NECA, NTCA, OPASTCO, and WTA ("Rural Associations") strongly support reasonable and effective efforts to promote adoption, and while the high cost of delivering service is a factor in many rural areas, many of their members are doing what they can to help stimulate adoption through creative education, marketing, and other initiatives.** In light of the relatively low populations in the areas these small rural providers serve, they recognize that it is essential to obtain and retain each and every possible subscriber to make the best possible business case.

Adoption is not a Static Problem – It is an Ongoing and Often Overlooked Challenge

But what is too often overlooked in this debate is the dynamic nature of adoption. Adoption is not just the one-time act of a customer choosing to purchase broadband Internet access. It is also the choice of a customer to pay month after month to **keep using** broadband. While there is an understandable focus on how policy-makers can entice low-income consumers who do not use the Internet today to do so, this is but a small part of a much larger and pervasive challenge. In rural areas, the costs of deploying and operating broadband networks are remarkably high, with individual customer lines often ranging several miles and Internet backbone access points located dozens or hundreds of miles away. Moreover, substantial economies of scale and scope can be difficult to achieve when the market consists of only a few potential subscribers per square or route mile.

The Universal Service Fund Has Been Critical in Addressing Rural Adoption Challenges

The high-cost universal service fund (USF) program has done a remarkable job in helping small rural providers overcome significant cost barriers. It has enabled providers to upgrade multi-use networks in hard-to-serve markets and provide high-quality broadband services. And from an adoption perspective, the high-cost USF program has been critical in ensuring the affordability of services in rural America. The high-cost program supports the delivery of services in areas where network costs are substantially higher than the national average. This means that, without adequate support, many small rural providers would need to charge prices that are significantly higher than their urban counterparts for comparable broadband access, resulting in services that many rural consumers would find unaffordable. This would in turn greatly suppress broadband adoption, making the business case for broadband in rural areas untenable.

This point is lost all too often in the USF reform debate. Some focus on the fact that the USF supports availability, and feel a sense of "mission accomplished" in much of rural America because 92% of small rural company subscribers have access to at least DSL-capable broadband. But this perspective misses the critical role that USF plays in ensuring that high-quality services remain available in rural America and that they remain priced in a way that prompts consumers to keep buying them. It also ignores the fact that, in the substantial majority of cases, the DSL-capable broadband access provided to rural consumers does not today reach the 4/1 Mbps threshold under consideration by the FCC.

The Rural Associations therefore urge policy-makers to take account of all of the critical ways in which USF support enables consumer broadband adoption and access in rural America. Policy-makers must recognize the value of USF both in supporting the deployment of new networks and advancing the quality of existing networks and services, all while maintaining affordability. Reforms that fail to take account of the full extent to which USF supports broadband availability and adoption increase the risk that networks will deteriorate, providers will exit hard-to-serve portions of markets, and/or prices for broadband access will increase – with the consumer bearing the ultimate consequence of any and all such failures.