Advocates for Rural Broadband

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Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: ***Connect America Fund*****, WC Docket No. 10-90**

Dear Ms. Dortch:

On Wednesday, October 25, 2017, Mark Gailey of Totah Communications (Oklahoma and Kansas); Larry Frazier of Central Arkansas Telephone Cooperative (Arkansas); John Stuart of MTE Communications (Idaho and Arizona); Kyle Bradshaw of ATC Communications (Idaho); Steven Sanders and Denise Russell of NATCO Communications (Arkansas); Mike George of Northeast Louisiana Telephone Company (Louisiana); and Bill Durdach and Gerry Duffy representing WTA – Advocates for Rural Broadband (WTA) met with Alex Minard, Suzanne Yelen and Christian Hoefly of the Wireline Competition Bureau to discuss the sufficiency and predictability of the high cost support mechanisms and budgets for rural local exchange carriers (RLECs).

The discussion was wide ranging, and focused primarily upon the problems and difficulties encountered by Rate-of-Return (RoR) Path carriers in meeting the broadband needs and demands of their rural customers. All of the RLEC participants except Mr. Gailey [who has a RoR Path study area in one state and an Alternative Connect America Model (ACAM) Path study area in another] are RoR Path RLECs, but emphasized that they did not necessarily "voluntarily" elect that path. Some were ineligible for the ACAM Path because of their previous broadband deployment; while others were offered model-based support so much lower than their legacy support that they would have been unable to meet their broadband build-out and service obligations.

The WTA members indicated that the rapidly increasing budget control mechanism "haircuts" – now in the 12-to-15 percent range and apparently increasing to 19-to-20 percent or so in 2018 – are the primary current factor disrupting the predictability and sufficiency of their critical high-cost support revenue streams. The growing shortfalls are making it extremely hard to undertake broadband extensions and upgrades and obtain the loans needed to finance them; forcing cutbacks in staffing, maintenance and service operations; and making it difficult to repay existing broadband construction loans. At the same time, RLECs are faced with customer demands for higher broadband speeds (with 10/1 services becoming increasingly obsolete, and customers requesting 25/3 and higher service levels), as well as additional Commission five-year build-out obligations in many circumstances.

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The WTA members urge that the current high-cost support budget for Rate-of-Return carriers be increased, and that relief be provided from the burgeoning budget control mechanism "haircuts" ravaging RoR Path RLECs. They realize that the Commission does not have unlimited USF dollars to distribute, and that there is not enough government or private funding available at this time to enable high-speed, fiber optic broadband service to be extended immediately to every American household and business location that wants it.

The WTA members did not propose a comprehensive plan to address the sufficiency and predictability issues, but indicated their willingness to work with the Bureau to explore alternatives and solutions. In addition to noting both the long-term importance and political complexities of contributions reform, the WTA members mentioned several supplemental or short-term options – including the use of existing Connect America Fund (CAF) reserves, temporary influxes of additional high-cost support, increased state broadband jurisdiction and support, and inflation factor adjustments – that could provide some relief while more comprehensive solutions are developed and considered.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

/s/ Gerard J. Duffy

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