August 18, 2010

Julius Genachowski, Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Genachowski:

It has come to our attention that the Federal Communications Commission (FCC) is seeking input on the development of rules in the context of the National Broadband Plan (NBP) regarding a broadband cost model and Universal Service Fund (USF) cost support. We, the undersigned members of the California Legislative Rural Caucus, are writing to encourage you to ensure that our rural constituency is afforded comparable access to broadband services and speeds at similar rates as our urban counterparts.

NBP has set a goal of 4 Mbps for universal broadband availability to all Americans by 2020, while pursuing download speeds of 100 Mbps for 100 million households (the “100 squared” plan). This approach would certainly create a broadband rural/urban digital divide. Urban consumers would enjoy speeds 25 times faster than their rural counterparts. The NBP’s broadband service goals, if adopted, would undermine the federal Communications Act’s directive that rural consumers have access to affordable communications services that are comparable to those available in urban areas.

Without broadband speeds greater than 4 Mbps in rural areas, expanded opportunities for medical services such as telemedicine and electronic X-ray sharing, distance learning, home businesses and high-definition programming would not be available due to inadequate bandwidth. A 4 Mbps standard would greatly endanger investment, jobs and economic development throughout rural California. An April 2010 report by the President’s Council of Economic Advisors, titled “Strengthening the Rural Economy”, found that “[B]roadband service helps rural businesses find markets that otherwise might be unavailable to them, facilitates online ordering and billing, and integrates the rural economy with the rest of the country (and the world) more effectively than is possible over slow-speed Internet connections.”

Urban, metropolitan and suburban areas across California have the population bases and economic foundations to support 100 Mbps broadband availability well before the year 2020. Conversely, many rural communities neither have the populations nor economies of scale to support 4 Mbps or higher speeds without a strong cost-recovery system. If the FCC caps or reduces cost-recovery for rural telecommunications companies’ operational and infrastructure...
expenses, rural consumers, businesses and communities will be condemned to severely inadequate broadband service.

California’s rural telephone companies have invested in and built the networks that serve the state’s rural communities in locations where most of the industry’s largest telecom providers chose not to invest. These small, rural companies play a vital role in supporting California’s economic development, public safety, and connectivity. Their investments have been possible due to a time-tested cost-recovery structure consisting of rate-of-return regulation, National Exchange Carrier Association pooling, intercarrier compensation, and Universal Service Fund cost support. Also, these mechanisms have afforded rural consumers access to services at prices that are affordable and comparable to urban areas. The FCC should be looking to recreate this success story in the context of broadband services by preserving the cost-recovery mechanisms that enabled it.

We respectfully request that in the course of adopting rules and regulations for the National Broadband Plan you preserve adequate cost-recovery mechanisms for rural broadband providers so that consumers and businesses residing in the nation’s high-cost, rural communities receive the benefits of comparable and affordable broadband service.

Thank you for your consideration and attention to these critical issues facing rural Californians.

cc: Commissioner Michael J. Copps  
Commissioner Robert M. McDowell  
Commissioner Mignon Clyburn  
Commissioner Meredith Attwell Baker