



O P A S T C O



W E S T E R N  
T E L E C O M M U N I C A T I O N S  
A L L I A N C E

## Action Item: Expanding Rural Broadband Through the Universal Service Fund

We request members of Congress to:

Urge the Federal Communications Commission (FCC) to adopt the Rural Associations' plan for reforming today's Universal Service Fund (USF) High-Cost program and intercarrier compensation (ICC) system for rural rate-of-return incumbent local exchange carriers (RLECs) ("the RLEC Plan").

With respect to reform of the USF High-Cost program, the RLEC Plan would:

- Ensure that rural consumers in RLEC service areas have access to broadband services that are reasonably comparable to those offered in urban areas, and at reasonably comparable rates, as required by the Telecommunications Act of 1996 (1996 Act).
- Promote job growth and economic development in rural areas.
- Sustain affordable broadband where it exists in RLEC areas, as well as encourage deployment to presently unserved consumers. This will promote customer adoption.
- Constrain RLEC High-Cost program costs to roughly the same as under existing rules (adjusted for inflation).
- Transition RLECs' current high-cost support mechanisms to an RLEC-specific component of a new "Connect America Fund" in a manner that encourages broadband investment. This is achieved by retaining time-tested rate-of-return regulation to support the *actual costs* of deploying and operating broadband-capable rural networks.
- Maintain recognition of the role RLECs play as carriers of last resort, in which they have a duty to offer service to all potential customers within their service areas, with defined service quality standards.
- Recognize the complementary role of fixed and mobile services, by limiting USF high-cost support to one provider of each technology per area.
- Broaden the base of USF contributors to more fairly distribute the total cost of the USF and permit necessary growth in the size of the High-Cost program, but without imposing an unreasonable fee on any assessable communications service.

The FCC is on a fast track to comprehensively reform the USF High Cost program, and seeks to adopt an Order in late Summer 2011. Therefore, immediate action by members of Congress is requested.

## Background

In March 2010, at the direction of Congress, the FCC issued its National Broadband Plan (NBP) with a goal of ensuring that all Americans have affordable access to robust broadband service. In February 2011, consistent with the NBP's recommendations for achieving this goal, the FCC released a Notice of Proposed Rulemaking (NPRM) that seeks to comprehensively reform the USF High-Cost program and ICC system. Unfortunately, some of the USF reform proposals contained in the NPRM undermine the objectives of the NBP, placing RLECs' broadband network investments and operations at risk, to the detriment of rural consumers and small businesses.

In response to the proposals in the NPRM, OPASTCO and WTA, along with two other national associations, submitted to the FCC the "RLEC Plan" for high-cost USF and ICC reform for these carriers. The four associations collectively represent all RLECs in the United States who, in turn, serve approximately five million rural consumers. In addition, more than 30 state, regional, and tribal organizations concurred with the RLEC plan.

OPASTCO's and WTA's member companies have made tremendous strides deploying broadband-capable networks throughout their service areas. Indeed, despite serving sparsely populated areas comprising approximately 40 percent of the nation's land mass, RLECs have made available at least basic levels of broadband to over 90 percent of the consumers in their territories. However, the job is far from complete. Sufficient, predictable, and sustainable USF support is necessary not only to deploy broadband to the remaining unserved consumers, but also for ongoing network maintenance and upgrades. This is necessary to provide faster connection speeds that can accommodate an ever-growing array of bandwidth-intensive applications and services. It is also needed to maintain affordable end-user rates for broadband, which helps encourage adoption.

When it comes to paying for universal, affordable broadband, the FCC's paramount goal appears to be maintaining the current size of the USF High-Cost program. This necessarily requires the FCC to redistribute existing resources to reach unserved consumers. However, by taking this approach, many of the

NPRM's proposals fail to fully account for the fact that most RLEC service areas have access to affordable broadband today precisely because the High-Cost program continues to support those investments and operations. The NPRM's proposals also fail to acknowledge that while many RLEC areas may be "served" in the sense that customers have access to basic levels of broadband, they still do not have access to speeds that even meet the modest goals contemplated in the NBP.

RLECs rely on USF support for a significant portion of their network cost recovery due to the high-cost characteristics of the areas they serve. This means that the NPRM's proposals to redistribute high-cost USF dollars will limit future broadband investment in RLEC service areas. Even worse, it presents the very real prospect that existing network investments will become unsustainable because costs cannot be recovered. At the very least, many RLECs would need to charge rates that are significantly higher than their urban counterparts, resulting in services that would be unaffordable for many rural consumers. Consequently, fewer rural Americans might ultimately enjoy access to affordable high-speed broadband services as a result of the FCC's USF reform proposals.

The RLEC Plan submitted by the Rural Associations would avert these catastrophic consequences and ensure that high-quality, affordable broadband services become *and remain* available throughout RLEC service areas, consistent with the directives of the 1996 Act and the goals of the NBP. Moreover, it accomplishes this in a manner that constrains the cost of the RLEC High-Cost program to approximately the same as under today's rules (adjusted for inflation), and is generally consistent with the FCC's principles for USF reform contained in the NPRM.

OPASTCO and WTA therefore request that members of Congress act today to urge the FCC to adopt the RLEC Plan for USF and ICC reform. The future of affordable, robust broadband access for millions of rural consumers hangs in the balance.

**Joint Association Plan FCC Filing: USF & ICC**  
<http://www.opastco.org/doclibrary/2216/041811-45daycomments-FINAL.pdf>