



November 4, 2022

**Filed via ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
45 L Street NE  
Washington, DC 20554

**RE: Expanding Broadband Service Through the ACAM Program, et al.  
RM-11868 and WC Docket Nos. 10-90, 09-197 and 16-271**

Dear Ms. Dortch:

On Wednesday, November 2, 2022, Mark Gailey of Totah Communications (Oklahoma and Kansas), and Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband (“WTA”), met via TEAMS video conference call with Suzanne Yelen, Jesse Jachman, Ted Burmeister, Joseph Sorresso, and Stephen Wang of the Wireline Competition Bureau, and with Eric Ralph and Michael Janson of the Office of Economics and Analytics, to discuss the need for continuing and updated Connect America Fund – Broadband Loop Support (“CAF-BLS”) and budget control mechanism (“BCM”) relief to complete the ongoing extension and upgrade of high-speed broadband networks and services in rural local exchange carrier (“RLEC”) service areas.

WTA began by summarizing the current results of the broadband survey that it has been conducting among its members that receive CAF-BLS support. Based upon 55 responses thus far from its approximately 198 CAF-BLS recipients, WTA has ascertained that its members have made substantial progress in the extension of high-speed broadband to significant portions of their service areas. Specifically, WTA has found: (a) that almost one-fourth of its responding member companies (23.6%) have deployed 100/20 Mbps or greater service (including Gigabit/500 Mbps service in many areas) to their entire RLEC service areas; (b) that 16.4% have deployed 100/20 Mbps or greater service to between 75% and 99% of their RLEC service areas; (c) that 27.3% have deployed 100/20 Mbps or greater service to between 50% and 74% of their RLEC service areas; and (d) that 9.0% have deployed 100/20 Mbps or greater service to between 25% and 49% of their RLEC service areas. In other words, over two-thirds of the WTA respondents (67.3%) have deployed 100/20 Mbps or higher service to half or more of their RLEC service areas, while over three-fourths (76.3%) have deployed 100/20 Mbps or better service to at least a significant portion of their service areas.

These results indicate not only that the Commission’s CAF-BLS program has been successful in enabling WTA’s RLEC members to offer high-speed broadband services throughout major portions of their rural service areas, but also that continuation and strengthening of the program is necessary to complete the job. The Commission has already invested millions of Universal Service Fund (“USF”) dollars in the transformation and upgrade of voice-centric RLEC networks into voice and broadband networks, including the installation and extension of the fiber optic trunks

and drops necessary to provide high speed broadband services to more and more rural customers throughout larger and larger portions of RLEC service areas. Although a substantial portion of the transition has been completed, there is still much more work to be done and investments to be made to finish extending existing RLEC networks in order to make available 100/20 Mbps services (and the higher speeds that are likely to become the universal service standard in the future) to all or virtually all of their rural service areas.

In addition to the construction costs required to complete the extension and upgrade of their networks, WTA members also need to repay the loans they have incurred for their existing broadband construction and as well to meet increasing operating expenses. More than half of the WTA survey respondents (54.5%) still need to repay the loans they used to finance their broadband deployment projects, while over one-third (36.4%) have outstanding broadband construction loan debt in excess of \$10 million per company. Finally, virtually all respondents report that their middle mile expenses and cybersecurity expenses have increased from 2021 to 2022.

WTA continues to support the alignment as soon as possible of the broadband deployment obligations and deployment timetables of CAF-BLS recipients with those of the Enhanced ACAM Plan that is ultimately adopted by the Commission. Many WTA members have interest in a proposed CAF-BLS program option that would allow a recipient to elect to make a firm and enforceable commitment to deploy 100/20 Mbps facilities to 100 percent of its applicable locations within a specified time period (which would be the same as the Enhanced ACAM 100/20 Mbps build-out period) in return for 5 years of relief from the BCM. Many additional WTA members would be interested in a similar option to make firm and enforceable commitments to deploy 100/20 Mbps facilities to serve virtually all of their locations according to the same timeline if a reasonable alternative were available for the most remote and expensive-to-serve 1-to-3 percent of such locations. This alternative could entail a reduced period of BCM relief or arrangements for the subject locations to be served via a different technology, service provider or government program.

WTA assumes that the Commission's goal is not only to get broadband network construction completed that will provide the current standard for universal broadband service (which is at or rapidly approaching 100/20 Mbps) to all or virtually all rural locations, but also to ensure that such networks will provide high quality and reliable broadband service during the foreseeable future and will be readily and economically scalable to furnish higher and higher speeds as consumer broadband speed demand continues to increase. The current CAF-BLS mechanism is much more capable of achieving these longer-term goals than a competitive auction or similar process that focuses predominately upon promises rather than performance history and that primarily considers initial construction costs. The WTA survey shows that many RLECs have already deployed substantial amounts of high-speed broadband in their networks. The Commission thus has the ability to measure and monitor actual RLEC performance and customer satisfaction rather than relying upon bidding and other paper promises. Likewise, accurate comparisons of broadband costs need to include far more than the initial construction costs that dominate auction pricing. For example, it is significantly more expensive initially to construct broadband networks with buried fiber than with aerial fiber. However, the buried fiber will cost significantly less to maintain and repair over the long run, and is much more reliable to remain in service when needed during those critical times that customers are confined to their homes by weather and other emergencies. Put another way, most customers do not want the broadband infrastructure that is becoming essential for their economic, social, and physical welfare to be constructed, maintained, and operated by the lowest bidder any more than they want to fly on an airplane built and maintained by the lowest bidder and operated by the lowest paid crew.

WTA believes that the continued use of CAF-BLS support with a BCM moratorium is the most effective, efficient, and economic way to complete the transition by supported RLECs to high-speed (100/20 Mbps or greater) broadband. As indicated by the WTA survey, many RLECs already have the basic broadband network facilities and interconnection arrangements in place and have already deployed the fiber optic trunks and other facilities needed to serve substantial portions of their customer locations. Extending these existing fiber facilities to replace the existing copper line segments serving their remaining customers and to upgrade their existing broadband services is much less costly than building and deploying wholly new broadband networks with USF dollars or with Broadband, Equity, Access and Deployment (“BEAD”) grant funds. Moreover, an early Commission decision to employ firm and enforceable commitments to use modified CAF-BLS support (and also Enhanced ACAM support) to complete the ongoing deployment of 100/20 Mbps and greater broadband speeds in RLEC service areas will enable the BEAD and other grant programs to focus their efforts on the construction of new or largely new broadband networks in non-RLEC areas where there have not already been substantial investments in and deployments of extendable and scalable high-speed broadband infrastructure.

WTA notes that use of CAF-BLS with a BCM moratorium to complete RLEC 100/20 Mbps deployment does not constitute a blank FCC check with no limits. Given that many RLECs have already deployed 100/20 Mbps facilities and services to substantial portions of their networks, further deployment will consist predominately of the extension of existing trunks and the addition of upgraded drops and electronics – all of which entail costs that are limited in size and scope and that can be readily compared for reasonableness with those of existing facilities. Moreover, the Commission will continue to have control over the per-line cap on USF support (which is currently at \$200, but needs to be increased to support and enable a more fiber-intensive 100/20 Mbps network) in addition to existing operating expense limitations and the longstanding power to deny support and cost recovery for investment that is not used and useful. Finally, RLECs are predominately small companies with limited financial resources, and must convince their owners, investors, and lenders that their broadband investments are reasonable and necessary to meet their customer demands and applicable regulatory requirements. These factors -- both separately and in combination – significantly limit the extent to which the proposed modifications of CAF-BLS support can lead to uncontrolled or runaway costs.

WTA further observes that the CAF-BLS mechanism with a BCM moratorium is much better able to respond and adjust for the inflationary pressures and supply chain shortages that are impacting the costs and availability of fiber, electronics, and construction contractors. See, for example, “ISPs: Inflation has doubled RDOF build costs,” *Fierce Telecom* (October 24, 2022). Whereas those that have accepted specific build-out obligations for a fixed amount of support during a reverse auction or other competitive process must find ways to cut corners or otherwise reduce costs when inflation or supply chain disruptions substantially increase the projected costs on which they placed their bids, the CAF-BLS mechanism has flexibility to adjust for exogenous cost increases beyond the control of RLECs (for example, by support increases, inflation factors, and BCM changes) without substantial reductions in critical broadband deployment goals and service quality obligations.

In fact, the CAF-BLS mechanism is much more effective than auctions and similar competitive mechanisms in determining and monitoring appropriate broadband construction and operating costs. Competitive mechanisms may work efficiently to balance supply and demand and to set flexible and constantly changing prices in highly competitive markets where there are many well-informed participants, where the monitored products are homogeneous and standardized, and where it is easy to enter and exit the market. However, these conditions are not present in the rural

broadband market where, among other things, there are relatively few service providers and customers, different climate and topographic conditions, different costs of serving different customers within the same rural service area, large capital investments and loans that must be recovered and repaid over extended 10-to-25-year periods, and substantial economic and regulatory barriers to entry and exit. Put another way, RLECs are not “typical” private businesses free to invest, operate and price their services flexibly in accordance with free market forces in competition with a multitude of existing and potential future rivals. Rather, RLECs are regulated businesses that must serve all members of the public that request service, price their services in a non-discriminatory manner to all similarly situated customers and subject to affordability criteria, incorporate various public service features required by federal and state authorities (for example, cybersecurity protections and robocall blocking), and comply with a large variety of pricing and operational regulations and reporting requirements imposed by federal, state, and local governments. Under such regulatory conditions, the USF support provided in association with the traditional common carrier and public utility model under which RLECs have long operated is much more conducive to a sustainable, reliable, and scalable high-speed RLEC broadband network than the various reverse auction and similar alternatives designed for more competitive markets.

Finally, WTA has long supported appropriate USF support for high-speed broadband networks that serve Tribal lands. Given the very different costs and customs on Tribal lands, WTA recognizes that adjustments need to be made to CAF-BLS and other programs in order to serve these areas more effectively. Such adjustments may include a Tribal Broadband Factor that increases per location support to account for higher costs, extended build-out milestones to recognize higher build-out costs and longer permitting periods, and greater flexibility for alternative technologies and different broadband speeds to adjust for diverse residential customs in some areas.

Respectfully submitted,  
**WTA – Advocates for Rural Broadband**

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