Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)	
Connect America Fund)	WC Docket No. 10-90
Universal Service Reform – Mobility Fund)	WT Docket No. 10-208

RURAL WIRELESS CARRIERS

United States Cellular Corporation
East Kentucky Network, LLC d/b/a Appalachian Wireless
Cellular Network Partnership d/b/a Pioneer Cellular
NE Colorado Cellular, Inc. d/b/a Viaero Wireless
Nex-Tech Wireless, LLC
Smith Bagley, Inc.

PETITION FOR RECONSIDERATION AND CLARIFICATION

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SUMMARY

While the Commission acknowledges in the *MF-II Order* that the expansion of 4G LTE service has left behind rural and high-cost areas, and while it establishes the goal of targeting Mobility Fund Phase II funding to rural areas with coverage gaps to address this problem, several decisions made by the Commission in the *Order* will have a counterproductive effect on the pursuit of this goal and other Commission objectives for MF-II. These decisions (as well as several other Commission actions addressed in the Rural Wireless Carriers' Petition for Reconsideration) therefore should be reconsidered.

First, the Commission provides no reasonable basis for its arbitrary decision that geographic areas currently being served by mobile broadband with speeds of at least 5 Mbps will not be eligible for MF-II support. Rather than using a benchmark that will deprive many consumers in relatively densely populated rural areas from receiving advanced broadband services in the foreseeable future, the Commission should use a 10 Mbps speed benchmark to determine geographic area eligibility. The Commission fails to provide a plausible explanation why this approach would not be preferable to the restrictive 5 Mbps benchmark it adopted in the *MF-II Order*.

<u>Second</u>, the Commission finds that its 10-year \$4.53 billion MF-II budget will enable achievement of its objectives in a fiscally responsible manner, but it provides no credible analysis or reasonable explanation supporting its view, it ignores information in the record showing that the costs associated with meeting the Commission's MF-II goals over a 10-year period are considerably in excess of the Commission's budget, and it fails to present any calculation of the costs associated with meeting its goals for mobile broadband deployment in rural America.

Third, although aware of the fact that advertised broadband speeds reported in Form 477

may not correspond to actual speeds, and faced with claims in the record that Form 477 data overstates service coverage, the Commission nonetheless has decided in the *MF-II Order* to rely on Form 477 data. This decision will deny many rural areas access to MF-II funding, because they will be erroneously treated as currently having mobile broadband coverage.

The Commission asserts that the challenge process will correct inaccuracies associated with flawed Form 477 data, but no challenge process can be sufficiently robust to process and resolve a myriad of challenges stemming from overstated coverage data. Moreover, any challenge process will impose tremendous burdens on challengers, which would be unnecessary if the Commission were to just focus on fixing the deficiencies in its Form 477 data collection process. The Commission's decision to press ahead, relying on Form 477 data, will inevitably leave behind many rural consumers because the challenge process will fall short of meeting the burden of correcting erroneous service coverage determinations.

Taken together, these Commission decisions predetermine that MF-II will fall short of what it could be: The 5 Mbps benchmark, coupled with overstated Form 477 coverage data, will result in the unwarranted restriction of eligibility for MF-II support, and the level of budgeted funding is substantially lower than necessary to be successful in achieving deployment of mobile broadband services to consumers in rural areas that are reasonably comparable to services available to urban consumers.

The Commission should reconsider these decisions, and take the actions necessary to ensure that a sufficiently funded MF-II will target support to accurately identified eligible geographic areas, enabling as many rural consumers as possible to gain access to advanced mobile broadband services.

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United States Cellular Corporation ("U.S. Cellular"), East Kentucky Network, LLC d/b/a Appalachian Wireless, Cellular Network Partnership d/b/a Pioneer Cellular, NE Colorado Cellular, Inc. d/b/a Viaero Wireless, Nex-Tech Wireless LLC, and Smith Bagley, Inc. (collectively, the "Rural Wireless Carriers"), by counsel and pursuant to Section 405 of the Communications Act of 1934 ("Act")¹ and Section 1.429 of the Commission's Rules,² hereby respectfully request that the Commission reconsider and clarify its final Report and Order in the above-captioned proceedings,³ published in the Federal Register on March 28, 2017.⁴

¹ 47 U.S.C. § 405.

² 47 C.F.R. § 1.429.

³ Connect America Fund, WC Docket No. 10-90, Universal Service Reform – Mobility Fund, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 32 FCC Rcd 2152 (2017) ("MF-II Order" or "Order").

⁴ FCC, Connect America Fund; Universal Service Reform – Mobility Fund, Final Rule, 82 Fed. Reg. 15422 (Mar. 28, 2017).

INTRODUCTION

The Rural Wireless Carriers address in this Petition several issues raised by the Commission's decisions and actions in the *MF-II Order*, including (1) the adoption of a 5 Mbps, instead of a 10 Mbps, speed threshold for determining geographic area eligibility for Mobility Fund Phase II ("MF-II") support; (2) the adoption of an MF-II budget that is demonstrably inadequate to meet statutory objectives or the Commission's goals; (3) the decision to rely on flawed FCC Form 477 ("Form 477") data that will erroneously exclude geographic areas from eligibility; (4) the use of monthly installments for the disbursement of MF-II support, which will impose unnecessary burdens on many carriers serving rural areas; (5) the need for clarification that collocation by an unsubsidized carrier on a cellular tower constructed with universal service support should not disqualify the geographic area served by that tower from receiving future support; and (6) the adoption of unnecessary and costly letter-of-credit ("LoC") requirements, which will only serve to drive up the costs of deploying wireless broadband networks in rural America.

STATEMENT OF INTEREST

Each of the Rural Wireless Carriers is a long-time participant in the Commission's universal service program, and has an interest in Commission decisions establishing rules and requirements for the disbursement and use of funds for the deployment of wireless mobile broadband networks serving rural consumers. Collectively, the Rural Wireless Carriers have been designated as eligible telecommunications carriers ("ETCs") in over 20 states.

Each of the Rural Wireless Carriers has used universal service support to find ways to build cellular towers in small towns and adjacent to rural roads serving areas where population density, income levels, and commercial development are often well below those found in urban areas across the Nation. Their ongoing participation in the universal service program provides the Rural Wireless Carriers with standing to seek reconsideration of the *MF-II Order* as a matter of right.⁵

ARGUMENT

I. THE COMMISSION'S DECISION TO USE A 5 Mbps SPEED BENCHMARK FOR DETERMINING GEOGRAPHIC AREA ELIGIBILITY WILL HARM RURAL CONSUMERS, IS ARBITRARY, AND IS CONTRARY TO THE PUBLIC INTEREST.

Noting that "rural and high-cost areas of our country have been left behind" as 4G LTE serve has expanded,⁶ the Commission states in the *MF-II Order* that its goals for MF-II include "target[ing] universal funding to coverage gaps" by "expending the finite funds we have available in the most efficient and cost effective manner."

This goal is aimed toward fulfilling the Commission's obligation to ensure that MF-II funding is effective in meeting the statutory objective of providing rural consumers with access to mobile wireless broadband services "that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas." The Rural Wireless Carriers urge the Commission to reconsider its arbitrary decision to use a 5 Mbps benchmark that will neither advance the Commission's MF-II goals, nor promote reasonably comparable services for rural consumers.

⁵ Section 405(a) of the Act, as implemented by § 1.429(a) of the Commission's Rules, provides that "[a]ny interested person" may petition for reconsideration of a final rulemaking order. 47 C.F.R. § 1.429(a).

⁶ MF-II Order, 32 FCC Rcd at 2153 (para. 1).

⁷ *Id.* at 2156 (para. 14).

⁸ *Id.* at 2157 (para 15) (footnote omitted).

⁹ Section 254(b)(3) of the Act, 47 U.S.C. § 254(b)(3).

A. The Commission Fails to Provide a Reasonable Basis for Using a 5 Mbps Speed Benchmark.

The Commission relies on three findings in making its decision to use the 5 Mbps benchmark to determine geographic area eligibility. None of the findings supports the Commission's action. *First*, the Commission finds that it is a better use of its finite MF-II budget to target support "to [areas] where it is most needed," by denying any funding to areas receiving unsubsidized 5 Mbps service. ¹⁰ This approach disserves rural consumers. It is not a rational policy to use the entire \$4.53 billion MF-II budget to seek to bring 10 Mbps service to a relatively few sparsely populated, very high cost areas, while leaving behind more heavily populated rural areas solely because these areas have access to 5 Mbps service.

The inappropriateness of this allocation of the Commission's finite MF-II budget¹¹ is made even more evident when one considers the fact that the Commission itself has rejected using 5 Mbps/1 Mbps speeds as a benchmark for measuring progress in mobile broadband deployment. The Commission found that these speeds are not sufficient "for uses that require high speeds, such as video calls, streaming media and real-time educational courses. These uses are becoming in-

¹⁰ MF-II Order, 32 FCC Rcd at 2173 (para. 51 n.129).

¹¹ The Rural Wireless Carriers note that, in fact, the Commission has options for increasing the size of its finite MF-II budget. U.S. Cellular has long argued, for example, that the Commission should give priority to "completing its efforts to reform its rules for USF contributions" as a means of "generat[ing] sufficient funding" to ensure "the deployment of <u>4G</u> mobile broadband networks in rural areas, in order to ensure that mobile broadband services in these areas are affordable and comparable to those available in urban areas." U.S. Cellular Comments, WC Docket No. 10-90, *et al.* (filed Dec. 12, 2012) ("U.S. Cellular 2012 Comments"), at 16 (emphasis in original). *See generally* U.S. Cellular Comments, WC Docket No. 06-122, *et al.* (filed July 9, 2012) (arguing that the Commission should adopt rules and policies designed to expand the base of service providers obligated to make USF contributions).

creasingly common, and require consistent connectivity in a mobile network environment at increasingly higher speeds than ever before."¹²

As U.S. Cellular's Chairman, LeRoy T. Carlson, recently testified to the House Subcommittee on Communications and Technology:

Today, a 5 Mbps/1 Mbps service level falls short of Congress' objective that the FCC ensure that services in rural areas are reasonably comparable to urban areas. According to OpenSignal, the overall speed that Americans experience from mobile broadband networks is 12.34 Mbps download. That figure implies that consumers experience significantly faster speeds in urban areas. Ineligible rural areas relegated to 5 Mbps cannot be considered reasonably comparable to urban and in ten years they will be much farther behind. Moreover, investments that increase speeds in rural areas would undoubtedly improve our ranking worldwide.¹³

By making areas with 5 Mbps of download speed ineligible for additional investment, for at least a decade, the Commission will greatly prejudice rural consumers.

<u>Second</u>, the Commission seeks to justify the 5 Mbps benchmark by observing that Form 477 submissions by nationwide carriers "generally" show that they provide service at advertised download speeds of 5 Mbps.¹⁴ This vague finding is irrelevant, because the Commission itself has

¹² Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Development Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act, 2016 Broadband Progress Report, 31 FCC Rcd 699, 724 (para. 58) (2016) ("2016 Broadband Progress Report"), cited in Ex Parte Letter from Christopher J. Wright, Timothy J. Simone & V. Shiva Goel, Counsel for Competitive Carriers Association ("CCA"), to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, et al. (filed Feb. 16, 2017) ("CCA Letter"), at 5.

¹³ Written Statement of LeRoy T. Carlson, Jr., before the Subcommittee on Communications and Technology, U.S. House of Representatives Energy and Commerce Committee, "Broadband: Deploying America's Twenty-First Century Infrastructure" (Mar. 21, 2017), at 17, *accessed at* http://docs.house.gov/meetings/IF/IF16/20170321/105740/HHRG-115-IF16-Wstate-CarlsonL-20170321.pdf.

¹⁴ MF-II Order, 32 FCC Rcd at 2173 (para. 51). The Commission has also determined, however, that "mobile broadband providers' own marketing of mobile broadband services often recommend speeds well in excess of 5 Mbps/1 Mbps." 2016 Broadband Progress Report, 31 FCC Rcd at 724 (para. 58) (citing marketing materials of AT&T, Sprint, T-Mobile, and Verizon). In addition, an area shown to be covered by 5 Mbps advertised broadband speed may have access to that speed for <u>outdoor</u> use, but very likely will have access to a broadband speed well below 5 Mbps for <u>indoor</u> and <u>in-vehicle</u> use, where a significant percentage of mobile wireless broadband usage occurs. See Eric Taub, "Remedies for Better Cellphone Signal"

determined that a majority of *urban* consumers have access to mobile wireless broadband at 10 Mbps/1 Mbps speeds. ¹⁵ Given this availability of 10 Mbps/1 Mbps broadband in urban areas, any rural area lacking access to 10 Mbps/1 Mbps speeds is not receiving service that is reasonably comparable to service available to urban consumers.

The Commission's implication in the *MF-II Order* that such comparability exists, based on the "general" reporting of nationwide carriers in Form 477, is simply wrong. In fact, the Commission's use of a 5 Mbps benchmark will guarantee that consumers in many rural areas will likely never have access to reasonably comparable mobile broadband services because these areas would be walled off from MF-II support. By the time 10 Mbps service comes to these areas, urban speeds will likely be far above that level.

Third, the Commission rejects using 10 Mbps as the minimum speed threshold for ineligible areas because it "expect[s] that any given area with one or more providers of unsubsidized qualified 4G LTE will already meet the 10/1 Mbps threshold or will do [so] well before the end of the MF-II support term." As RWA has shown, however, the Commission provides no evidence

Quality," N.Y. TIMES (June 26, 2013), accessed at http://www.nytimes.com/2013/06/27/technology/personaltech/remedies-to-enhance-cellphone-signal-and-sound-quality.html (noting that "[b]arely adequate signals outside turn even worse once they must penetrate concrete, metal and multiple walls"). The Commission has acknowledged that meeting minimum speed benchmarks "is likely to prove challenging" in indoor environments. Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act, GN Docket No. 12-228, Ninth Broadband Progress Notice of Inquiry, 27 FCC Rcd 10523, 10534 (para. 27) (2012).

¹⁵ 2016 Broadband Progress Report, 31 FCC Rcd at 735 (para. 83) (Table 4) (showing that 45 percent of Americans in urban area are without access to 10 Mbps/1 Mbps mobile broadband services), *cited in* CCA Letter at 6.

¹⁶ MF-II Order, 32 FCC Rcd at 2189 (para. 87 n.220).

supporting its expectation, and it ignores contrary evidence in the record.¹⁷ It also ignores the point that areas already served by unsubsidized carriers will be ineligible for funding in MF-II anyway. The issue is what throughput speeds should be supported in areas without an unsubsidized carrier. It seems incredibly arbitrary for the Commission to conclude that areas receiving some minimum level of service should not be entitled to the same level of service that the Commission has concluded will be required under MF-II in areas currently receiving no service.

B. The Use of a 10 Mbps Speed Benchmark Will Better Serve Rural Consumers and Satisfy the Comparable Service Objective.

The Rural Wireless Carriers respectfully suggest that the Commission should reconsider its 5 Mbps speed benchmark and replace it with a 10 Mbps benchmark, for use in determining geographic area eligibility for MF-II support. Given that the Commission has determined that MF-II funding recipients must use the support to deploy networks delivering speeds that meet or exceed a 10 Mbps benchmark, it makes sense to use the same benchmark to determine geographic area eligibility. To do otherwise would be arbitrary at best and invite legal challenge.

Numerous parties argued in favor of a 10 Mbps benchmark in the proceedings that resulted in adoption of the *MF-II Order*.¹⁸ RWA, for example, explained that "[b]ecause the Commission has proposed adopting MFII service requirements including speeds of 10/1 [Mbps], it should also use this 10/1 Mbps threshold to further define eligible areas." ¹⁹ The Commission does not present

¹⁷ Rural Wireless Association, Inc. ("RWA"), Petition for Reconsideration and/or Clarification, WC Docket No. 10-90, *et al.* (filed Apr. 12, 2017) ("RWA Reconsideration Petition"), at 4 (citing Ex Parte Letter from David LaFuria, Counsel for U.S. Cellular, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, *et al.* (filed Feb. 17, 2017), at 2).

¹⁸ See MF-II Order, 32 FCC Rcd at 2173 (para. 51 n.129).

¹⁹ Letter from Caressa D. Bennet, General Counsel, RWA, to Marlene F. Dortch, Secretary, FCC, WT Docket No. 90-10, *et al.* (Nov. 10, 2016), at 3, *cited in* CCA Letter at 6 n.27. CCA has argued that:

[[]I]f the Commission requires recipients of MFII support to provide service in excess of 5 Mbps/1 Mbps ..., the adoption of a lower 5 Mbps/1 Mbps threshold for defining eligible

in the *Order* a reasonable explanation for its rejection of these comments.²⁰ It concludes that it would rather use its MF-II budget "where it is most needed,"²¹ but, as the Rural Wireless Carriers have discussed, the Commission offers no reason for its conclusion that cutting off all areas served by 5 Mbps broadband from MF-II funding would serve the public interest.

Were the Commission to implement a 10 Mbps baseline for eligibility, it would open up a sizeable portion of rural America to investment, in areas where service now is not reasonably comparable to service available in urban areas. Below, the Rural Wireless Carriers provide a map depicting several cell sites where U.S. Cellular operates in rural Tennessee. The green area depicts an area where the signal is strong and customers can expect to experience high quality service that is reasonably comparable to that which is available in urban areas. Users in the green areas should expect to receive download/upload speeds of approximately 10 Mbps/1 Mbps or better.

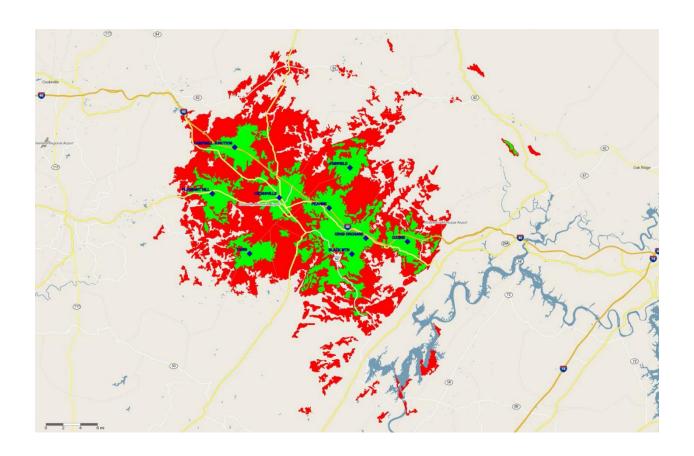
The red area is where customers can expect to get service, but it may be less reliable. Calls will drop more often, and data speeds may slow down. In the red area, vagaries such as distance from the tower, foliage, obstacles, and terrain, can all affect the quality of service, more so than in the green areas where signal strength is greater. As a result, users would expect to receive speeds below 10 Mbps/1 Mbps. If the Commission retains the 5 Mbps benchmark for eligibility adopted in the *MF-II Order*, most or even all of the red areas will be denied support for a decade.

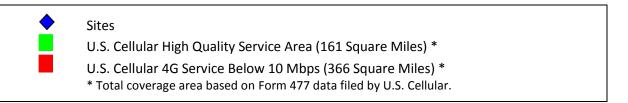
areas would be plainly arbitrary. There is no basis for concluding that consumers in areas ineligible for MFII support demand less from their wireless connections than consumers in eligible areas. Moreover, by using inconsistent speeds for eligibility determinations and performance requirements, the Commission's MFII framework risks creating the very kind of disparities in access that the statute prohibits.

CCA Letter at 6 (footnotes omitted).

²⁰ See United States Satellite Broadcasting Co., Inc., 740 F.2d 1177, 1188 (D.C. Cir. 1984) (significant comments require a reasoned response from the Commission).

²¹ MF-II Order, 32 FCC Rcd at 2173 (para. 51 n.129).





II. THE BUDGET FOR MOBILITY FUND PHASE II SUPPORT IS NOT SUFFICIENT TO ACCOMPLISH REASONABLE COMPARABILITY OR TO MEET THE COMMISSION'S UNIVERSAL SERVICE GOALS.

The Commission in the *MF-II Order* subscribes to the view that universal service funding is "sufficient" if it is "an affordable and sustainable amount of support that is adequate, but no

greater than necessary, to <u>achieve the goals</u> of the universal service program."²² The Commission has established the universal service goal of "ubiquitous availability of mobile services[,]"²³ and, acknowledging that "MF-II is critically important to supporting mobile voice and broadband coverage[,]"²⁴ the Commission has committed to "seek[ing] to assure that 4G LTE service is preserved and advanced [in] those areas of the country where there is no unsubsidized service …."²⁵

The Commission, however, provides no reasonable basis for its "find[ing] that this level of support [\$453 million per year] over the next ten years will allow MF-II to achieve its objectives in a fiscally responsible manner." This conclusion is not supportable, even though the Commission has tried to give itself a head start toward meeting its MF-II objectives by using a 5 Mbps speed benchmark, which expands the number of areas that the Commission can count as already having mobile broadband services available.

The Commission points to "coverage gaps" where "at least 575,000 square miles (approximately 750,000 road miles and 3 million people) ... lack 4G LTE service...." A 10-year budget of \$4.53 billion will not come close to eliminating these gaps. This fact is demonstrated by a recent cost study commissioned by U.S. Cellular and conducted by CostQuest Associates ("CQA"), that

²² *Id.* at 2161 (para. 24 n.54) (emphasis added) (quoting *Federal-State Joint Board on Universal Service*, *High-Cost Universal Service Support*, Order on Remand and Memorandum Opinion and Order, 25 FCC Rcd 4072, 4088 (para. 30) (2010)).

²³ Connect America Fund, et al., WC Docket No. 10-90, et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17773 (para. 298) (2011), aff'd sub nom. In re FCC 11-161,703 F.3d 1015 (10th Cir. May 23, 2014) ("CAF Order").

²⁴ MF-II Order, 32 FCC Rcd at 2157 (para. 14) (footnote omitted).

²⁵ *Id*.

²⁶ *Id.* at 2161 (para. 25).

²⁷ *Id.* at 2156 (para. 14). The Commission notes that, in some cases, service is available from subsidized 4G LTE providers. *Id*.

"gives an estimate of the cost to build and maintain a 4G LTE network over time." ²⁸

CQA first identified census blocks across the country that are unserved by 4G LTE service, based on Form 477 data.²⁹ It then estimated that approximately 37,000 new cellular towers would need to be constructed to cover unserved roads in these census blocks, and that an upfront investment of an estimated \$12.5 billion would be needed to construct the towers.³⁰ Noting that "[t]he ongoing costs of operating and maintaining networks in rural areas are significant[,]" CQA estimated that annual maintenance capital costs for networks deployed in the identified unserved areas would be approximately \$1.05 billion, while annual operational expenses (including network operations, customer operations, and roaming) would be approximately \$1.08 billion, in total approximately five times the amount budgeted for MF-II.³¹

The estimates developed by CQA give a sense of the scope of the task of preserving and advancing 4G LTE service in rural areas where there is no unsubsidized service. Significantly, the Commission makes no effort in the *MF-II Order* to provide any estimate of the overall total costs that would be incurred in meeting its goals for preserving and advancing mobile broadband for rural consumers. It simply adopts a budget without providing any sense of the costs of the task

²⁸ Ex Parte Letter from David LaFuria, Counsel for U.S. Cellular, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, *et al.* (filed Feb. 17, 2017), Enclosure, CQA, "Cost Study for 4G Unserved Areas" (Feb. 15, 2017) ("CQA Study"), at 1. CQA "developed a geospatial approach to assigning service and costs to currently unserved areas across the U.S. by identifying areas of potential service along roads." *Id.* The study included the entire U.S., including Alaska, Hawaii, and Puerto Rico. *Id.* CQA also provided an explanation of the methodology it used in preparing the study. *Id.*, App. B (Methodology Documentation).

²⁹ Given concerns that Form 477 data tends to overstate broadband coverage, CQA's estimates may understate costs because the estimates are based on this overstated coverage data. *See MF-II Order*, 32 FCC Rcd at 2176-77 (para. 58 & n.146) (citing questions raised in the record regarding the accuracy of Form 477 data).

³⁰ COA Study at 1.

³¹ *Id*.

involved, without acknowledging that the budget will make only a small dent in rural coverage gaps, and without any attempt to anticipate, much less estimate, fast-approaching universal service budgetary requirements associated with deploying 5G mobile broadband networks in rural areas.

Instead, the Commission blithely concludes that its "budget—when distributed cost-effectively—should make meaningful progress in eliminating the lingering coverage gaps."³² If CQA's estimates are anywhere near the mark, it is apparent that \$453 million will not make meaningful progress. Nor is there any consolation for rural consumers in the Commission's observation that it "remains free, after the auction has concluded, to assess its results and determine whether additional funding is needed to advance the deployment of advanced mobile services throughout rural America."33

If the Commission fails to act now by increasing the size of the budget, the Commission's assessment of results in 10 years will likely show that the digital divide separating urban and rural America has increased. The Commission should avoid that result, which would place rural consumers at a greater disadvantage than they face today, 34 by reconsidering its budget decisions in the MF-II Order and adopting a rational, data-driven budget that reflects the urgent need to expedite the deployment of advanced mobile networks in rural communities across the country. A failure to take this step will leave many rural consumers without any access to broadband services that are comparable to those available in urban areas, for the foreseeable future.

³² *MF-II Order*, 32 FCC Rcd at 2162 (para. 25).

 $^{^{33}}$ *Id*.

³⁴ See U.S. Cellular 2012 Comments at 3 n.8 (explaining that "the failure of the Commission to remedy the shortfall in Mobility Fund Phase II funding would consign unserved areas with no winning bids ... to having no advanced mobile broadband services throughout [a 10-year] support term").

III. THE COMMISSION'S DECISION TO RELY ON FCC FORM 477 DATA TO DETERMINE SERVICE COVERAGE IS UNREASONABLE AND WILL HARM RURAL CONSUMERS.

The Commission should reconsider its decision to utilize Form 477 data for purposes of identifying geographic areas eligible for MF-II support, because the Commission lacks any reasonable basis for relying on this data, and rural consumers will be unnecessarily harmed if the Commission presses ahead with the MF-II auction without taking any steps to revise and correct its Form 477 data collection and reporting processes.

A. The Commission Acted Unreasonably in Deciding to Use Flawed FCC Form 477 Data in Disbursing Mobility Fund Phase II Support.

The Commission has acknowledged the limitations of its reliance on Form 477 data for mobile services,³⁵ and numerous parties have indicated in the proceedings that resulted in the adoption of the *MF-II Order* that Form 477 reports filed by mobile broadband providers tend to overstate coverage.³⁶ Problems with the Form 477 data left the Commission with two choices:

The Commission can rely upon Form 477 reported maximum advertised speeds for <u>fixed</u> services because the Commission has found that actual speeds experienced by most ISPs' subscribers are close to or exceed the advertised maximum speed.... In contrast, the relationship between advertised and actual speed is more complex for <u>mobile</u> services because the mobile providers report their minimum advertised speed and each mobile provider advertises the minimum speed at various points of their actual speed distribution.... Therefore, we cannot assume a uniform correspondence between actual and minimum advertised speed for mobile services.

2016 Broadband Progress Report, 31 FCC Rcd at 734 (para. 82 n.246) (emphasis added).

³⁵ The Commission explained in the 2016 Broadband Progress Report that:

³⁶ MF-II Order, 32 FCC Rcd at 2176-77 (para. 58 n.146) (summarizing numerous commenters' concerns regarding the accuracy of Form 477 coverage data). See, e.g., Letter from David LaFuria, Counsel for C Spire Wireless, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, et al. (filed Oct. 22, 2016), at 1-2 (indicating that "some carriers' 477 maps show coverage that is inconsistent with their web marketing maps, evidence that different methodologies have been employed. Moreover, it appears that different carriers utilize different Reference Signal Receive Power (RSRP) values, which can cause great variations in the radius of a claimed coverage area emanating from the same tower on similar frequencies, altogether preventing carrier-to-carrier coverage comparisons and prohibiting any useful comparative coverage conclusions to be drawn from the existing data.... [A]ny significant overstatement (or potential understatement)

either move forward with the MF-II auction, even though the auction and subsequent funding disbursements would be handicapped by the faulty data, or pause the auction process so that more reliable and accurate data could be required and produced.

The Commission has made the wrong choice in the *MF-II Order*, knowingly committing to an MF-II auction and funding process that will freeze out geographic areas that in fact are eligible for funding. The Commission's attempts to defend its choice, by claiming that "none of the commenters criticizing the Form 477 data has identified a better data source for moving forward expeditiously to implement MF-II[,]" and that it "will utilize a challenge process to improve the accuracy of the coverage analysis underlying eligibility determinations reached in reliance on Form 477 data[,]" do not withstand scrutiny.

The Commission's claims do not provide a reasonable basis for its decision to rely on Form 477 data. Even if the Commission were correct in assuming that Form 477 data is better than any other source of data *currently* available, the Commission ignores the fact that it faces no compulsion to "expeditiously ... implement MF-II." Significantly, the Commission previously has shown little interest in trying to expedite, or give any priority to, MF-II funding and implementation.

Specifically, MF-II was originally established by the Commission nearly six years ago,³⁹ and, in the years immediately following, the prospects for MF-II had waned so substantially that

of coverage or mobile broadband service in rural areas could negatively impact any particular area's eligibility for additional investment of universal service support by the Commission, perhaps forever."), *cited in MF-II Order*, 32 FCC Rcd at 2176 (para. 58 n.146); Letter from Jill Canfield, Vice President, Legal & Industry, Assistant General Counsel, NTCA-The Rural Broadband Association, to Marlene H. Dortch, Secretary, FCC, WT Docket No. 10-90, *et al.* (filed Feb. 15, 2017), at 1 (referencing "the existence of known flaws in the 477 data that are likely to overstate actual coverage area").

³⁷ *MF-II Order*, 32 FCC Rcd at 2177 (para. 58).

³⁸ *Id.* (footnote omitted).

³⁹ CAF Order, 26 FCC Rcd at 17824 (para. 493).

Commissioner O'Reilly stated that he "d[id] not believe that the Commission still intends to implement a CAF Phase II Mobility Fund" The Rural Wireless Carriers commend the Commission for its new-found interest in pressing forward with MF-II, but the schedule should not be accelerated at the expense of consumers living, working, or traveling in areas that erroneously would be ineligible for MF-II support as the result of using flawed Form 477 data.

While the Rural Wireless Carriers do not disagree that it is important to give priority to taking the steps necessary to conduct the MF-II auction and begin disbursements of MF-II support, it also is the case that the Rural Wireless Carriers and other wireless ETCs are currently utilizing legacy universal service support effectively to deploy and upgrade broadband networks in unserved and underserved rural areas, continuing their ongoing efforts to bring the benefits of mobile broadband to rural consumers. In these circumstances, the reasonable choice for the Commission is to avoid haste in order to get MF-II right. Efforts to ensure that rural consumers have access to mobile broadband that is reasonably comparable to mobile broadband available in urban areas would be seriously compromised if the Commission bases MF-II funding eligibility decisions on coverage data that erroneously excludes rural consumers who currently do not have access to mobile broadband.

The Commission suggests in the *MF-II Order* that this catastrophic result for rural consumers will be avoided by the challenge process.⁴¹ This is a false hope. The challenge process may be sufficient to resolve a modest number of discrete disputes concerning incumbent carriers' coverage claims, but the Commission's plan to burden the challenge process with the job of reviewing

⁴⁰ Commissioner Michael O'Reilly, FCC Blog, "USF High-Cost Program: Best and Realistic Timelines" (Mar. 24, 2015). Commissioner O'Reilly did not venture to predict any realistic timeline for MF-II. *Id*.

⁴¹ *MF-II Order*, 32 FCC Rcd at 2177 (para. 58).

a substantial number of challenges, generated by the consistent tendency of Form 477 to overstate coverage by incumbent carriers, will overwhelm the process and produce results that will fail to identify accurately many geographic areas that are eligible for MF-II support.⁴²

B. The Commission Should Reconsider Its Reliance on FCC Form 477 Data in Order to Avoid Harming Rural Consumers.

The issue of whether to expedite or pause implementation of MF-II has significant implications for consumers. Weighing in the balance is whether consumers in many rural areas across the country will lose the prospect of access to advanced mobile broadband services for the foreseeable future.

The Commission's goal is to "target universal service funding to coverage gaps"⁴³ Further, the Commission must advance a statutory objective to ensure the reasonable comparability of mobile broadband services in rural and urban areas. These goals will be put on the shelf for consumers in many rural areas if the Commission makes funding eligibility decisions, as it currently plans to do, based on Form 477 data that masks the fact that "covered" geographic areas actually are unserved by mobile broadband networks.

This avoidable outcome would have real-life consequences. Given the fact that there is no

[A] hastily designed challenge process intended as a safety valve to alleviate inaccurate eligibility determinations is not up to that task. Burdensome and bureaucratic parcel-by-parcel challenges will become the norm, not the exception, given the unreliability of the Commission's initial eligibility determinations. Moreover, those challenges will still create an incomplete picture of the current state of broadband coverage across the United States. Perhaps worse, they will deplete the resources of the Commission and small carriers alike—unless the burden of filing such challenges is so overwhelming that rural carriers are forced to give in.

CCA Letter at 3.

⁴² CCA explains that:

⁴³ MF-II Order, 32 FCC Rcd at 2156 (para. 14).

business case for deploying advanced mobile wireless broadband networks in these rural areas, consumers will be deprived of advanced mobile broadband well into the future. CCA draws a telling picture of what this would mean for these consumers:

[E]liminat[ing] wireless connectivity in some hard-to-serve areas [would] shut[] off some Americans' only on-the-spot access to life-saving emergency services. It could defer indefinitely the long-held aspirations of rural Americans and businesses to gain wireless broadband access for the first time. And for rural Americans with no choice but to purchase wireless services from an incumbent provider, the Commission's imprecision [e.g., in examining the accuracy of data on which the Commission will rely] could further delay the achievement of speeds that Americans in urban areas have enjoyed for years, with a bare trickle of future improvements.⁴⁴

While the Rural Wireless Carriers appreciate the Commission's commitment to eliminate gaps in mobile broadband coverage, there is no reasonable basis for bringing MF-II up to the plate, only to have it strike out. The first strike is the 5 Mbps speed benchmark for determining geographic area eligibility. The second strike is the underfunded budget. And the third strike would be basing funding eligibility decisions on flawed Form 477 data that overstates existing coverage. The Rural Wireless Carriers respectfully urge the Commission to reconsider its approach, cure these problems, 45 and then conduct an MF-II auction that will have a more realistic chance of deploying advanced mobile broadband across a wide expanse of unserved rural areas.

⁴⁴ CCA Letter at 2 (footnotes omitted).

⁴⁵ Commissioner O'Reilly last week expressed his support for a near-term Commission effort to address complaints regarding Form 477 data. *See Business Data Services in an Internet Protocol Environment, et al.*, WC Docket No. 16-143, *et al.*, Report and Order, FCC 17-39 (adopted Apr. 20, 2017) ("*BDS Order*"), Statement of Commissioner Michael O'Rielly) (indicating that "I continue to hear complaints about the quality of Form 477 data, which is why we have had to institute challenge processes in multiple proceedings. I hope that the Commission will address this recurring issue in the near future."), *accessed at* https://thedcoffice.com/late_releases_files/04-20-2017/DOC-344487A4.pdf.

IV. DISBURSING MOBILITY FUND PHASE II SUPPORT IN MONTHLY INSTALLMENTS WILL BE BURDENSOME FOR MANY CARRIERS SERVING RURAL AREAS.

The Rural Wireless Carriers respectfully suggest that the Commission should reconsider its decision to disburse MF-II funds in monthly installments over the course of the 10-year support term. Although the Commission notes objections to this approach, and they "will best accommodate carriers" project schedules or ongoing expenses of providing service in a manner that is efficient from an administrative prospective."

There is not a reasonable basis for the Commission's conclusions. The Rural Wireless Carriers agree with CTIA that "carriers will have substantial up-front deployment costs at the beginning of the support term. Thus, the efficiency of the funding process would be improved if larger support amounts were distributed during the early years of the term." The Commission acknowledges CTIA's concerns, but does not directly respond to them. The Rural Wireless Carriers urge the Commission to revisit this issue, and to take into account the fact that, because of the nature of mobile wireless technologies, mobile broadband networks typically are constructed and upgraded pursuant to schedules that do not stretch out over 10 years. Most mobile broadband networks serving rural areas can be upgraded in their entirety over a period of two to three years.

⁴⁶ MF-II Order, 32 FCC Rcd at 2223 (para. 186).

⁴⁷ *Id.* at 2224 (paras. 187-188).

⁴⁸ *Id.* at 2224 (para. 187).

⁴⁹ *Id.* at 2224 (para. 188) (footnote omitted).

⁵⁰ CTIA-The Wireless Association® ("CTIA") Comments, WC Docket No. 10-90, *et al.* (filed Dec. 21, 2012), at 10.

The Commission also should take into account the fact that, for most MF-II support recipients, substantial deployment costs will be incurred during the early years of the 10-year support term. Under the Commission's approach, these carriers will be making substantial capital outlays, but will not be receiving MF-II support in sufficient amounts to offset these costs. This will likely force many small rural carriers to seek financing arrangements to underwrite the costs of their network deployments and to pass these increased costs along in the form of higher bids which means less funding will be available for network deployment. The burden of taking on these financing debts could be avoided if the Commission reconsiders its approach and adopts a funding schedule that better matches up with the timing of costs incurred by MF-II support recipients.⁵¹

V. THE COMMISSION SHOULD CLARIFY THAT SERVICE FROM A COLLOCATOR ON A TOWER BUILT WITH USF SUPPORT IS NOT "UNSUBSIDIZED COMPETITION" AND DOES NOT DISQUALIFY THE AREA SERVED BY THE TOWER FROM RECEIVING FUTURE SUPPORT.

In the *MF-II Order*, the Commission declares "that all areas lacking unsubsidized, qualifying 4G LTE service will be eligible for the auction," because "any given area with any provider of unsubsidized qualified 4G LTE is unlikely to be at risk of losing coverage." Yet, the Commission provides no factual support for such statements, apparently relying on the common sense proposition that if an unsubsidized carrier can construct facilities in an area, then *ipso facto* the area would have coverage without support. This not necessarily true and deserves reconsideration.

⁵¹ The Rural Wireless Carriers acknowledge that the MF-II funding schedule they suggest would have the effect of increasing the USF contribution factor during the middle years of the 10-year support term, but this increase would be offset by lower contribution factors in the succeeding years of the 10-year term, as the level of disbursements to MF-II support recipients decreases.

⁵² MF-II Order, 32 FCC Rcd at 2168 (para. 39); see id. at 2174 (para. 52) (stating that "any census block that is not fully covered by unsubsidized 4G LTE will contain areas that are eligible for support in the MF-II auction").

⁵³ *Id.* at 2174 (para 53).

The concept of denying support to an area served by an unsubsidized provider grew out of well pled arguments from the cable industry that wireline telephone companies should not receive support in areas where a cable company has built competing facilities without support.⁵⁴ In the wireline context, it makes perfect sense to conclude that when a competing provider lays similar or even identical plant (*e.g.*, fiber) to homes and businesses in an area, there is no longer a need for support to any fiber provider (if there ever was a need).

In the wireless context, the best analogy would be to conclude that when a second carrier constructs a tower near an existing supported tower, there is a competitive marketplace and regulators need not, and should not, provide support in that area. However, when competition comes from a collocator, it is far from clear that the competition is unsubsidized. When a carrier builds a tower in a remote location, in a place where no other carrier has constructed, the costs sometimes run as high as \$1 million to build a road, bring in power, install fiber/microwave, remove trees, reclaim land, construct a tower, get building, zoning, National Environmental Policy Act, and related permits, and incur all related costs.

A collocator incurs <u>none</u> of those costs. It has the luxury of hanging an antenna on the subsidized carrier's existing tower, installing equipment in an existing or new shed, and paying rent. That kind of market entry is much more accurately described as subsidized competition, because the newcomer would probably never go through what the subsidized carrier went through to

⁵⁴ See, e.g., Ex Parte Notice from Steve Morris (on behalf of Comcast, Time Warner Cable, National Cable & Telecommunications Association, and American Cable Association) to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (filed Sept. 23, 2013), at 1-2 (footnote omitted) (arguing that "there is no basis for the Commission to provide a subsidy to a price cap LEC to overbuild an existing cable network that is providing broadband service meeting the speed and quality criteria established by the Commission[,]" and that the Commission should "not ... pay a price cap LEC to overbuild broadband facilities that competitive providers have deployed using private capital").

initiate service without support.⁵⁵ Indeed, the newcomer is a beneficiary of the support that was provided to the carrier that built the tower, just as if the unsubsidized carrier had received the support payment directly. They are an "unsubsidized" carrier in name only. The Commission may require carriers to file a map showing areas served by supported towers. If each carrier files a similar map, it will be very easy for the Commission to determine which areas are truly competitive due to unsupported carriers building towers, and which have competition only as a result of collocation.

Going forward, the Commission is requiring supported carriers to offer collocation on reasonable terms to competitors, ⁵⁶ something that is the subject of a petition for reconsideration filed by RWA. ⁵⁷ So, when a carrier builds a tower out in a remote location, and it hosts a collocator because it is required to open its million-dollar site to competition, it also loses the ability to get support to upgrade the site to 5G, or other future technology. That cannot be right.

Nowhere in the record of this proceeding has the Commission addressed this critical point. The Rural Wireless Carriers respectfully request the Commission to reconsider and clarify the *MF-II Order* so that when a supported tower hosts a collocator, the covered area is not made ineligible for future universal service support. Only when a competitor builds a tower that provides overlapping coverage should an area be declared competitive.

⁵⁵ Just last week, Commissioner Clyburn was critical of the Commission's analysis in its Business Data Services order because it, "includes as 'competition' when there is only one line into the building, but that line is leased to a competitive provider." *See BDS Order*, Dissenting Statement of Mignon L. Clyburn, *accessed at* https://thedcoffice.com/late_releases_files/04-20-2017/DOC-344487A3.pdf. That leased line is analogous to collocation because the lessee incurs none of the cost of providing the essential facility, in that case the fiber and in this case the tower. Resale is similar to collocation in that the reseller does not incur the costs of installing all of the basic plant needed to provide service.

⁵⁶ Section 54.1015(f) of the Commission's Rules, 47 C.F.R. § 54.1015(f).

⁵⁷ See RWA Reconsideration Petition at 17-19.

VI. THE COMMISSION SHOULD NOT RETAIN LETTERS OF CREDIT TO SECURE MOBILITY FUND PHASE II PERFORMANCE.

The new administration has urged federal agencies to remove at least two regulations for every new regulation that is issued.⁵⁸ Eliminating the requirement that universal service support recipients post irrevocable letters of credit to secure performance requirements⁵⁹ is fertile ground for much needed reform.⁶⁰ To the Rural Wireless Carriers' knowledge, the Commission has never conducted a formal or informal cost/benefit analysis regarding the use of LoCs to secure universal service performance.

To date, the Rural Wireless Carriers are unaware that the Commission has executed on a single LoC as a result of a recipient's default. Yet, the cost to recipients of complying with the LoC requirements is extraordinary. In the case of U.S. Cellular, for example, the company can document costs of over \$1 million in complying with the current LoC regime for its 27 winning bids in Auction 901.⁶¹

⁵⁸ See Presidential Executive Order, "Reducing Regulation and Controlling Regulatory Costs" (issued Jan. 30, 2017), at § 1 (stating that "it is important that for every one new regulation issued, at least two prior regulations be identified for elimination"), accessed at https://www.whitehouse.gov/the-press-of-fice/2017/01/30/presidential-executive-order-reducing-regulation-and-controlling.

⁵⁹ Section 54.1016 of the Commission's Rules, 47 C.F.R. § 54.1016; *MF-II Order*, 32 FCC Rcd at 2216 (167).

⁶⁰ As Chairman Pai properly notes, a dollar spent wastefully is a dollar that is unavailable to be used for the benefit of the people the program is intended to serve. *See*, *e.g.*, *Lifeline and Link Up Reform and Modernization*, *et al.*, WC Docket No. 11-42, *et al.*, Third Report and Order, Further Report and Order, and Order on Reconsideration, 31 FCC Rcd 3962, 4166 (2016) (Dissenting Statement of Commissioner Ajit Pai) (indicating that "every dollar spent on already-connected household[s] is one dollar less that can be spent promoting actual broadband adoption, the whole goal of the expansion" of the Lifeline program).

⁶¹ In 2014 and 2015 alone, U.S. Cellular paid bank fees of over \$277,000 each year to keep open over \$17 million in LoCs to the Commission. This does not include the cost of legal and other internal costs needed to comply with the Commission's LoC regime. This calls into question the Commission's unsupported "conclu[sion] that an LOC meeting the [Commission's] requirements ... is neither unreasonably burdensome nor excessively costly for a winning bidder to obtain in light of the benefit to our universal service program." *MF-II Order*, 32 FCC Rcd at 2216 (para. 167).

The Commission receives no measurable benefit from these carrier expenditures imposed by the LoC rules, because it has all the security it needs with respect to Commission licensees—the threat of revocation or non-renewal of a license should a universal service recipient commit any misconduct. The layer of protection afforded by a LoC is paper thin, providing the Commission the ability to retrieve program funds more quickly than it could if it levied a forfeiture to a carrier, or demanded repayment with the threat of license revocation or non-renewal.

In the case of a wireless carrier, the expenditure of \$1 million on LoCs means that anywhere from one to three cellular towers will not be constructed. Alternatively, if carriers increase auction bids to take this cost into account, as they undoubtedly will, then program funds are diverted to an expense that provides no benefit to rural America. The juxtaposition of this requirement with the Commission's stated goal for a fiscally responsible program is hard to reconcile.

The Rural Wireless Carriers urge the Commission to reconsider its use of LoCs to secure program funding, and make clear that program recipients that do not use funds as intended will be barred from future participation, subject to monetary forfeitures, and potentially the loss of one or more Commission licenses either through revocation or non-renewal.

⁶² The Commission acknowledges that "obtaining an LOC incurs costs," *id.*, but it attempts to deflect any concern regarding these costs by stating that "we anticipate that bidders can incorporate these costs when determining their bids." *Id.* In the Rural Wireless Carriers' view, it makes more sense to have bids focus on promoting mobile broadband deployment—the goal of MF-II—rather than recouping costs imposed by unnecessary Commission requirements.

CONCLUSION

For the reasons discussed above, the Commission should reconsider and clarify the *MF-II Order*, and should grant this Petition.

Respectfully submitted,

RURAL WIRELESS CARRIERS

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Cellular Network Partnership d/b/a Pioneer Cellular
NE Colorado Cellular, Inc. d/b/a Viaero Wireless
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