

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
ETC Annual Reports and Certifications)	WC Docket No. 14-58
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
Developing an Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	

**REPLY COMMENTS OF THE
EASTERN RURAL TELECOM ASSOCIATION**

I. INTRODUCTION

The Eastern Rural Telecom Association (“ERTA”) respectfully submits these reply comments in response to a Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking (“NPRM”)¹ issued by the Commission on March 23, 2018. The Commission asked for comments on a variety of issues related to additional USF High Cost funding. ERTA agrees with that Commission that “[i]t is time to close this gap and ensure that all of those living in rural America have the high-speed broadband they need to participate fully

¹ Connect America Fund, WC Docket No. 10-90, ETC Annual Reports and Certifications, WC Docket No. 14-58, Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No.07-135, Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29 (rel. March 23, 2018) (NPRM).

in the digital economy.”² Budget caps and reductions have resulted in the opposite of the goal to close the divide. To close the gap for customers, additional support for Universal Service Fund (“USF”) High Cost funding is needed to reach the goal. Without this support, the status quo of broadband gaps will continue. Comments were filed on May 25, 2018 by 25 parties with the overwhelming majority in support of the Commission’s goal to close the divide with additional funding. ERTA believes that the overwhelming support for additional funding is proof positive that the Commission should implement a funding solution for more customers in rural America to obtain broadband service.

ERTA is a trade association composed of community based local exchange companies and support companies providing telecommunications, broadband Internet, and video services to rural customers in the Eastern half of America. ERTA members have deep community roots and are proud of the roles they play in providing capital-intensive services to rural America as small businesses in high-cost areas. They are also passionate about the obligation and privilege to serve customers. Because they serve customers in high-cost areas, ERTA members use USF high cost recovery support to provide universal services at affordable rates.

II. LEGACY CARRIER FUNDING

The ultimate objective is increased deployment of broadband in rural America to close the gap. It has been noted that budget cuts and reduced recovery for past broadband network investments has not helped customers in rural America that want to receive new broadband.

As many of the commenters pointed out, the 2011 budget of \$2 billion for RoR carriers was an arbitrary amount that has not been sufficient. By only applying inflationary increases to this arbitrary budget amount would provide minor increases to current funding without an

² NPRM at para 1.

assurance that it would further Commission goals, the Commission should instead focus on a budget that would be sufficient. “[S]imply adding an inflationary factor to an already inadequate budget amount is clearly insufficient. Instead, the inflationary factor should be applied to a newly-determined, bottom-up, budget.”³ The Commission should “instead implement a budget that reflects the real costs of building and maintaining modern broadband networks.”⁴

As WTA stated, “the inescapable fact is that the transition from the 2011 network (which was still significantly a voice business) to the 2018 high-speed broadband network (and increasingly broadband-only network) entails substantial cost increases and growing high-cost support needs.”⁵ “[S]hould the budget levels for Cost-Based Support remain fixed under a 2011 vintage budget without any reasonable attempt to project and adjust for future demand, insufficiency will persist and budget controls will grow to investment-detering, unsustainable levels that fly in the face of statutory mandates for sufficiency, predictability, or reasonable comparability.”⁶ NTCA was able to use a Commission methodology to estimate that “the need for Cost-Based Support will equal approximately \$1.43 billion in calendar year 2018.”⁷ ERTA believes this amount is certainly worth consideration by the Commission for a 2018 budget for carriers relying on legacy support.

ERTA agrees with other commenters that request the Commission to stop applying the Rural Growth Factor (“RGF”) and the Budget Control Mechanism (“BCM”) because of the

³ The Small Company Coalition, Comments at page 5.

⁴ The Blooston Rural Carriers, Comments at page 6.

⁵ WTA – Advocates for Rural Broadband, Comments at page 9.

⁶ NTCA-The Rural Broadband Association, Comments at page 33.

⁷ Id., at pages 32-33.

negative impact each has had and will continue to have on rural broadband deployment.⁸ Time has proven them to work counter to the goal of deploying more broadband to rural America.

At a minimum, the Commission should stop applying the RGF and BCM factors while it considers what budget amount is adequate to meet its goal of closing broadband gaps in rural America. The Commission did grant a petition to “eliminate the effect of the budget control mechanism for the period current budget year (from June 2017 to July 2018).”⁹ As a stopgap, the Commission should do the same for the budget year from June 2018 to July 2019.

After a new budget amount is established, ERTA supports an annual inflationary type adjustment to help keep broadband deployment from going backwards.

III. INCREASE FUNDING FOR A-CAM

Even at the initial \$200 funding mark, the Commission was aware there would still be pockets of rural America not able to receive broadband. ERTA believes the Commission should increase funding for A-CAM companies from the current \$146.10 back to the previously proposed \$200. The Commission “should increase the funding cap at least to the \$200 per location that was initially offered.”¹⁰

Customer benefits due to a simple \$53.90 funding increase is quantifiable. TDS Telecom provided information that 3,627 additional customers of theirs will receive either a minimum of 10/1 Mbps or 25/3 Mbps service if they were to receive the additional \$53.90 in funding.¹¹

⁸ The Blooston Rural Carriers, Comments at page 8, The Small Company Coalition, Comments at page 7 (RGF only), The Concerned Rural LECs, Comments at page 4 (RGF only).

⁹ NPRM, at para. 77.

¹⁰ The Concerned Rural LECs, Comments at page 12.

¹¹ TDS Telecommunications Corp, Comments at page 3.

IV. CONCLUSION

The Commission should establish a budget for legacy RoR carriers that is adequate to close existing broadband service gaps. The Commission should eliminate the use of the RGF and BCM factors that have hampered broadband investments and deployments, or at least pause them during the time it takes to determine what an adequate budget amount is. The Commission should increase A-CAM funding by an additional \$53.90. These actions by the Commission would put legacy RoR and A-CAM carriers back on track to provide new broadband and enhanced broadband to more customers in rural America.

Respectfully submitted,

**EASTERN RURAL TELECOM
ASSOCIATION**

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