

Finish the Job to Bring Broadband to Rural America

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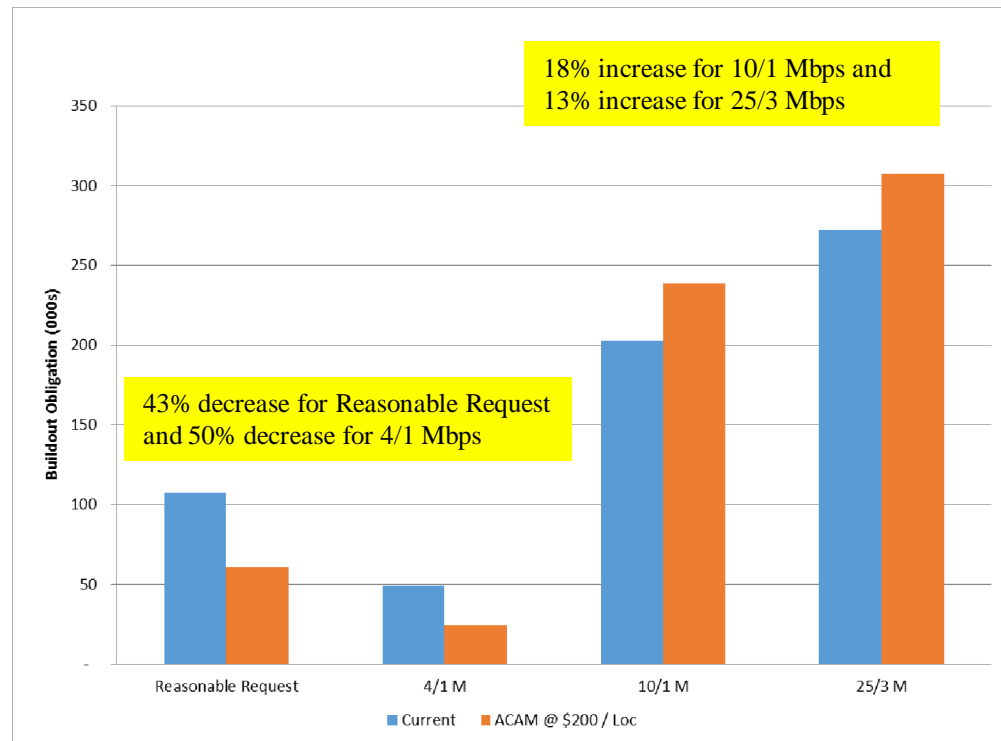
Increasing A-CAM Funding Will Have Immediate Positive Impacts

- ▶ The FCC has already supported funding at the \$200 per location level: “By making this funding available to those carriers that are willing to meet concrete and defined broadband deployment obligations, we will advance our objective of extending broadband to currently unserved consumers.”*
- ▶ A mechanism for distributing funding is already in place; no additional regulatory rules or procedures need to be developed.
- ▶ Allocating additional funding in 2017 will result in a more efficient use of the limited budget.
 - Companies will be able to design the network in the most efficient manner at the outset without costly redesigns at a later date.
 - The construction costs of deploying scalable technology initially is cheaper than installing interim solutions that need to be replaced later.

* See FCC Rate-of-Return Reform Order released on March 30, 2016, ¶ 60.

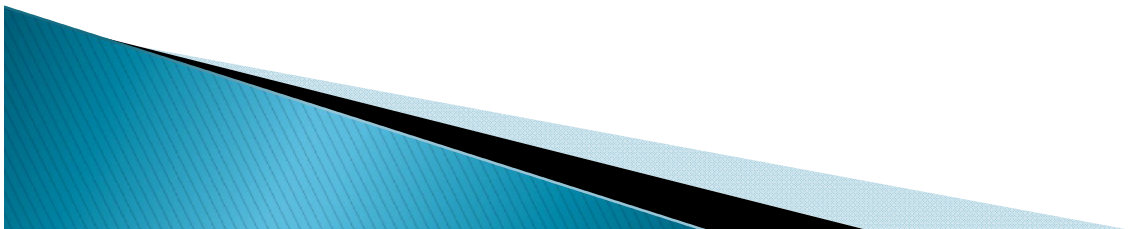
Additional A-CAM Funding Will Provide Better Outcomes for Customers that Currently Have Either No Broadband or Low-Speed Internet Access

- ▶ 262 companies are already deploying broadband.
 - No other entities are ready, willing or able to build immediately in high-cost A-CAM geographic areas.
 - A-CAM carriers have demonstrated that they want to provide service to all their customers.
- ▶ When funded at \$200 per location:
 - The number of customers that either have no broadband or low-speed Internet access will decrease about half.
 - The percentage of customers that will have high-speed broadband increases appreciably.
 - The overall number of locations served will increase by 15%.
 - The geographic distribution will be more equitable.

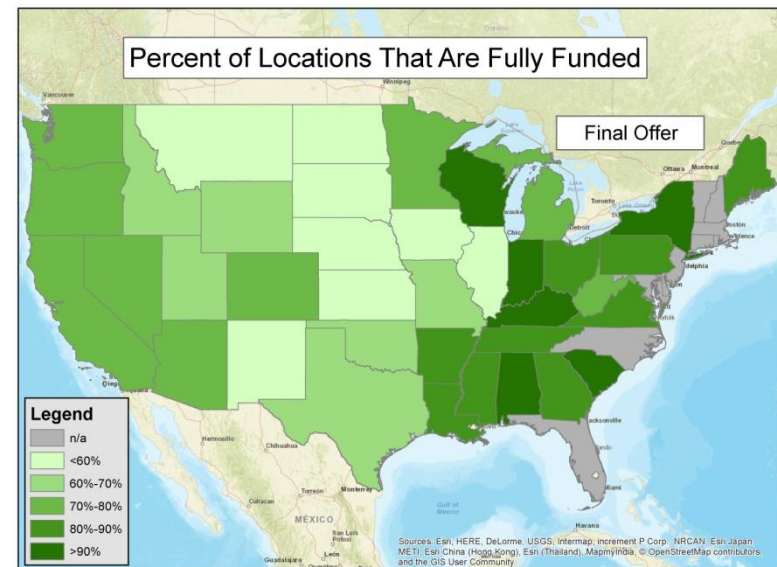
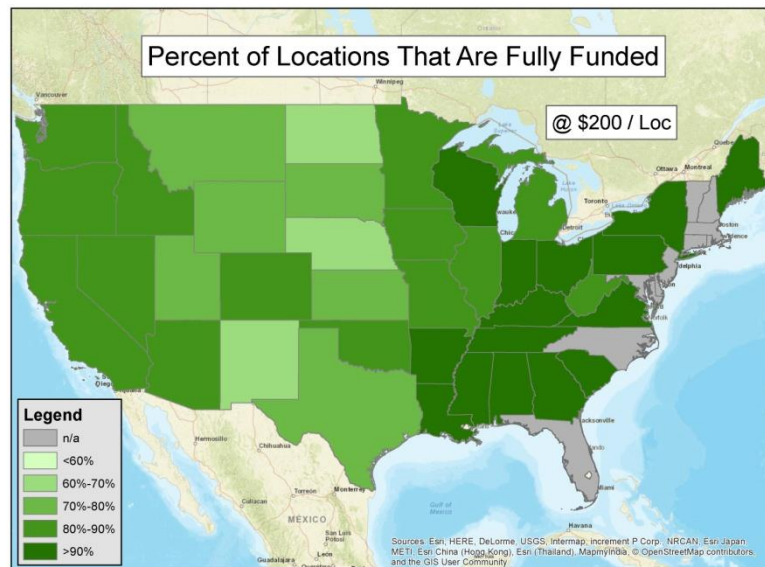


Additional Funding Benefits Everyone by Deploying Fiber Deeper in the Network

- ▶ Increasing A-CAM support by \$100 M annually will allow fiber to be deployed deeper into the network.
- ▶ Fiber is scalable and once deployed can be edged out to reach more locations.
 - As facilities are deployed to meet A-CAM build out obligations, many additional customers will receive upgraded broadband service (the “Halo Effect”).
 - If additional support is available before initial A-CAM upgrades are done, more rural locations can be efficiently upgraded as part of the overall network build.
- ▶ Fiber in rural broadband networks can be leveraged by other technologies.
 - Wireless carriers will be able to use the fiber for increased backhaul bandwidth for new towers.
 - The availability of fiber backhaul creates the opportunity for wireless carriers to make existing wireless towers data capable.
- ▶ Broadband access will become available to tribal lands and low-income customers.



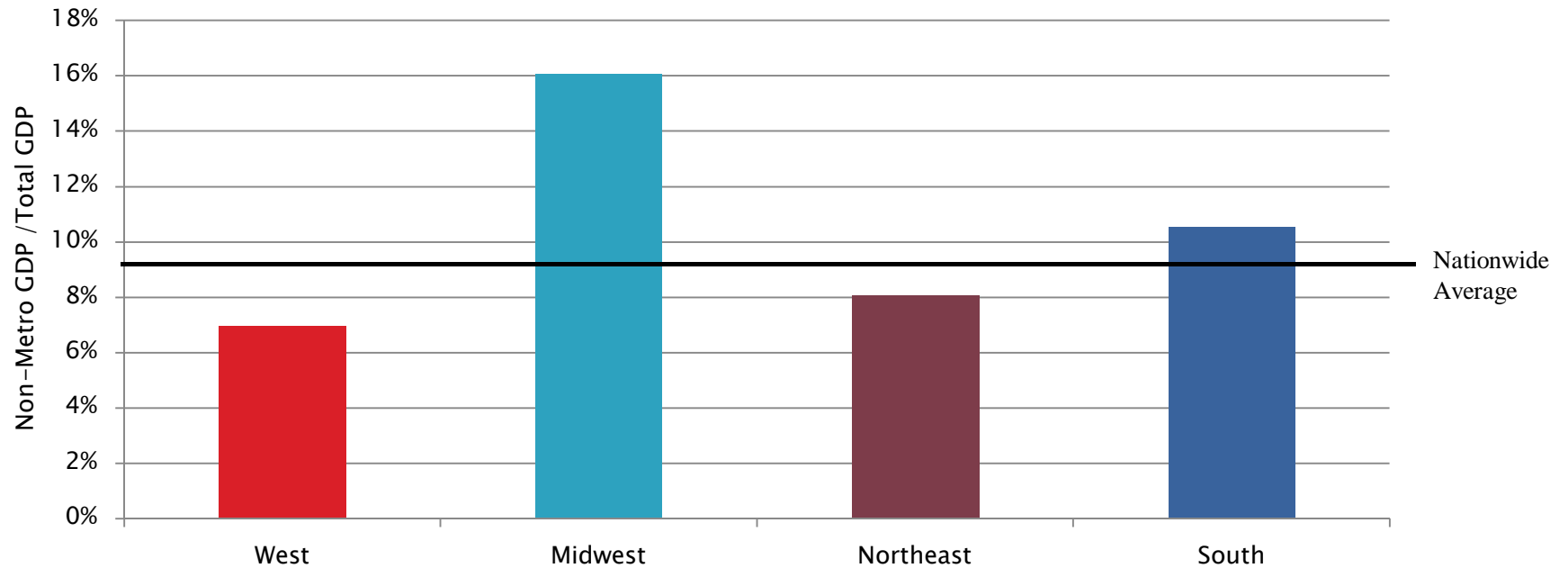
Increased A-CAM Funding Advances Statutory Directive to Provide Access to All Americans



- ▶ The FCC determined that funding at \$200 per location is good public policy: “We direct the Bureau to calculate support using a \$200 per-location funding cap. This will allow significantly more high-cost locations to be served than if we were to use a lower funding cap.”*
 - ▶ Consumers in different parts of the country are receiving widely varying levels of service and availability as a result of reduced funding in the final A-CAM offers.
 - ▶ The FCC can fix this inequity by restoring funding to the \$200 per-location level, which more equitably distributes funding nationwide.
- ▶ The 1996 Act requires that customers across the nation should have reasonably comparable service and prices.

* See FCC Rate-of-Return Reform Order released on March 30, 2016, ¶ 52.

Midwestern Economies Are More Reliant on Rural Portions of the State for their GDP



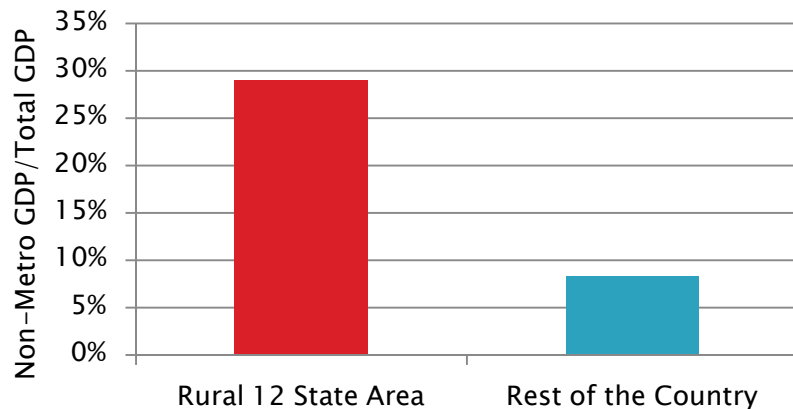
Source: 2015 Data from Bureau of Economic Analysis

Chairman Pai: "High-speed internet access, or broadband, is critical to economic opportunity. But there are still too many parts of this country where broadband is unavailable or unaffordable. There is a real and growing digital divide in America. In wealthier, metropolitan areas, 4G LTE is ubiquitous, and gigabit fixed service is expanding. But many rural areas are being left behind."

Commissioner O'Rielly: "... the communications and technology industries serve as a vibrant job creator and economic productivity generator"

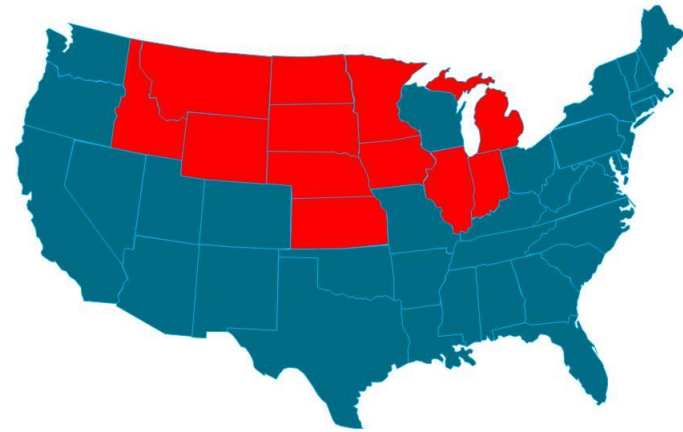
Commissioner Clyburn: "I remain committed to encouraging efficient spending by rate-of-return carriers, and more importantly, to ensure that American consumers everywhere, are able to reap the benefits of broadband, no matter where they live."

Additional A-CAM Funding in Midwestern and Western States Will Increase their Overall GDP



Rural 12 State Area includes ID, MT, WY, ND, SD, NE, KS, MN, IL, MI, IN, and IA

Source: 2015 Data from the Bureau of Economic Analysis



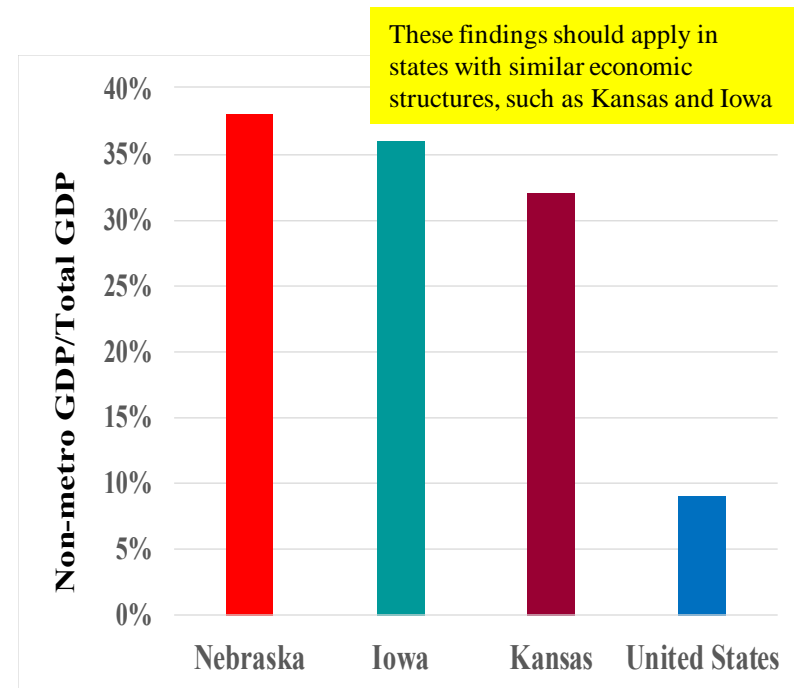
- ▶ Access to cutting edge broadband infrastructure is a critical factor in the growth and competitiveness of the rural economy.
- ▶ Increasing funding to \$200 per location will significantly benefit the US economy, and particularly the economies of the states that receive relatively larger amounts of additional funding.
- ▶ The national benefit of increased broadband deployment in these areas will outweigh the modest increases in the overall size of CAF.

Strong Rural Economies also Contribute to the Metropolitan Economies in their States

- ▶ In Nebraska, studies show:
 - A large portion of Nebraska's urban manufacturing, transportation and wholesaling sectors is dependent on agricultural businesses in rural Nebraska.
 - The Nebraska agricultural complex accounts for a quarter of the state's employment.
 - Rural businesses generate a significant multiplier effect on the urban Nebraska economy.

*Thompson, Eric, Bruce Johnson, and Anil Giri, 2012. The Economic Impact of the Nebraska Agricultural Production Complex, University of Nebraska

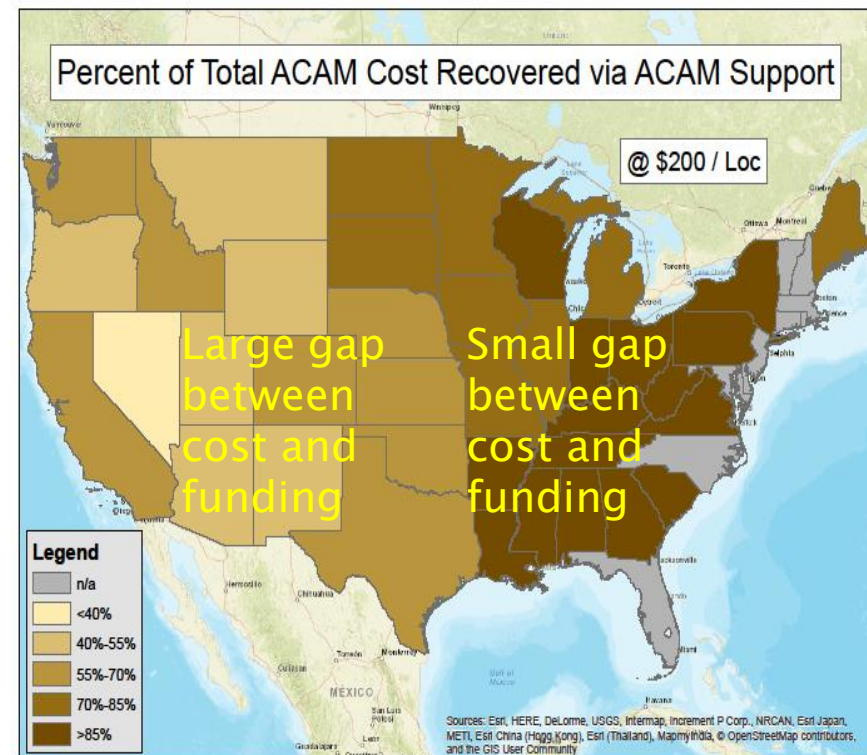
Thompson, Eric, and Jeff Pursley, 2013. Economic Impacts of Rural Telecommunications Firms. University of Nebraska



Source: 2015 Data from the Bureau of Economic Analysis

Reduction in A-CAM Funding Produced Larger Shortfalls in Western States

- ▶ There are inequities in the level of current funding:
 - ▶ Between *eastern and western states* See map.
 - ▶ Between *rate of return and price cap carriers* Rate of return carriers, on average, have higher costs than price cap carriers ó oftentimes much higher ó yet most received lower per-location funding.
 - ▶ Between *A-CAM carriers that received less in model support than legacy support and those that received more* Thirty five A-CAM carriers are receiving \$200 per location.
- ▶ A customer's access to broadband should be based on a standard that is applied equally to all A-CAM carriers.



At \$200 per location, the FCC concluded: “Even though the locations at or above the funding cap are not fully funded, carriers will receive a significant amount of funding í which will permit them to maintain existing voice service and expand broadband in these highest-cost areas í ö *

* See FCC Rate-of-Return Reform Order released on March 30, 2016, ¶ 52.

Increased A-CAM Funding Provides the Best Long-Term Network Solution

- ▶ The FCC's A-CAM current funding level relegates too many customers to satellite, leaving large geographic areas of the country with inferior service or nothing at all.
- ▶ Our firsthand experience demonstrates that satellite broadband is not acceptable to customers.
 - Customers complain about high prices, low data caps, high latency, frequent service outages and no voice service.
 - Service is often not available to new customers in less populated areas.
- ▶ If the FCC funds A-CAM at \$200 per location, far fewer high-cost customers will be relegated to satellite service.
 - If funding is increased to \$200 per location, we are confident most Nebraska locations will receive at least 4/1 Mbps; similar results should occur elsewhere.



The FCC Should Restore Funding to \$200 per Location, the Level Originally Set

- ▶ The Commission determined that setting an upper limit of support at \$200 per location for all rate-of-return locations (rather than not supporting areas with costs above a Extremely High Threshold) is good public policy.* We agree.
 - A-CAM recipients have build-out commitments surpassing that of any other USF program and it is likely that the minimum build-out obligations will be surpassed.
 - Consistent with federal law, funding at \$200 per location will allow many additional customers to receive broadband and others to receive higher speeds.
 - Without additional funding,
 - unserved and underserved customers in western states will be left with substandard access to Internet service, and
 - the economies of western states will suffer because of lost GDP.
- ▶ The FCC determined that \$200 per location is reasonable, and it should act to restore funding to that level.
- ▶ Finish the job ó we urge the FCC to show further commitment to bring broadband infrastructure to citizens in truly rural America.

* See FCC Rate-of-Return Reform Order released on March 30, 2016.