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November 20, 2015

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

On November 19, 2015, Heather Burnett Gold, President/CEO, Fiber to the Home Council Americas ("Council"), and the undersigned, Edward A. Yorkgitis, Jr., Kelley Drye & Warren LLP, Counsel to the Fiber to the Home Council, met with Rebekah Goodheart, Wireline Legal Advisor to Commissioner Mignon Clyburn. The purpose of the meeting was to discuss the Connect America Fund (CAF) Phase II competitive bidding process and the order on circulation to establish a framework for that process.

The Council understands the Commission is considering establishing for the competitive bidding process broadband performance categories to distinguish bidders and potentially provide a preference for bidders that, should they win, will deploy all-fiber networks to eligible (unserved) areas. The Council submits this proposal is sound because: fiber is the most superior technology with which to provide high broadband performance service; fiber is the choice of consumers and businesses in urban areas; fiber confers tremendous economic benefits on communities and indiviudals; and fiber will provide the Commission with a superior, or at least equivalent, return on its CAF investment when compared to other wireline technologies. In the meeting, Council representatives focused on this last aspect and presented the attached presentation, which reviews the business model the Council developed to compare the financial returns from investments in all-fiber networks with the returns from investments in VDSL networks. The results from running that model demonstrate that all-fiber networks produce a greater return over the life of the CAF II competitive bidding program and an even greater return when evaluated over a longer period.

All-fiber networks have proven in the lab and in the field to provide the highest broadband performance capabilities, and they will do so for decades. In effect, all-fiber networks provide the type of frictionless and future-proof broadband service that consumers, businesses, and institutions are increasingly demanding as their bandwidth needs soar. This verity is well-known to the Commission. It was the basis for the Commission's decisions to expand E-rate support for fiber deployments and to obtain a committment from AT&T to deploy fiber to more than 12 million households. The market also is reflecting the demand for all-fiber networks, as all types of providers are increasing their fiber deployments and the market share for DSL plummets. The greater value of all-fiber networks is further demonstrated by the economic benefits that they bring to communities and individual households.[1] We have reached the tipping point for all-fiber networks, and consumers in virtually all areas of the country should be able to reap their benefits.

All-fiber deployment also is a sound financial investment for the Commission's CAF program. Market events in urban areas make this clear, and providers that once thought there was a path from DSL to VDSL to all-fiber are finding it is less financially viable and are turning to invest today in all-fiber networks. The reasons are straightforward. First, cable competitors are making 100+ Mbps serivce a standard offering, and these competitors are moving to all-fiber networks. Second, as they access more video content over multiple devices, consumers are demanding higher speed broadband service. Third, a significant part of the DSL build, primarily related to the electronics, will need to be scrapped when the provider eventually moves to FTTP, while all the fiber costs will still need to be incurred.[2]

The financial model developed by the Council examines this final point – the financial outcomes of all-fiber and DSL investments – and it demonstrates that over the 10-year term of the program, an investment in an all-fiber network has a higher net present value than an investment in a DSL network. Even assuming that the financial returns from deploying the technologies are comparable, the choice still should be to provide support for all-fiber networks because they enable far superior performance and are future-proof.

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1 *See* "Early Evidence Suggests Gigabit Broadband Drives GDP," prepared by the Analysis Group for the FTTH Council (September 2014). A link to the study may be found at http://www.ftthcouncil.org/p/bl/et/blogid=3&blogaid=305 (last visited November 17, 2015); *see also* "Study Shows Home Values Up 3.1% with Access to Fiber," FTTH Council Blog Post, dated June 29, 2015, found at http://www.ftthcouncil.org/blog/study-shows-home-values-up-3.1-with-access-to-fiber (last visited November 17, 2015).

2 These "scrapped" facilities include DSLAM ports and modems and any upgrade to copper facilities. There also are other costs that will be "lost," including labor costs for powering the street cabinets, additional provisioning cost, project management cost, and IT systems cost.

Finally, the Council shares the Commission's objective to bring broadband service to as many unserved areas as quickly as possible. It submits that while other technologies, e.g. wireless and satellite, do not have the performance capabilities or future-proof characteristics of all-fiber deployments, they may be adequate interim substitutes in certain remote areas if they are already or largely deployed such that no, or at most little, support is required. The Commission's CAF cost model, which is based on greenfield fiber-to-the-home build, is not a proper basis for providing support in these instances, and support of satellite or fixed wireless should only extend to a portion of the operating expenditures. The Council suggests the Commission develop another mechanism to provide this support so that all locations can get broadband service as soon as possible.

This letter is being filed electronically pursuant to Section 1.1206 of the Commission's rules.

Respectfully submitted,

Edward A. Yorkgitis, Jr.
Counsel for the Fiber to the Home Council Americas

Attachment

cc: Rebekah Goodheart