



December 22, 2015

Ex Parte Notice

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

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

Dear Ms. Dortch:

This letter is submitted on behalf of NTCA–The Rural Broadband Association (“NTCA”) with respect to the release of Alternative Connect America Fund Model (“A-CAM”) version 2.1. This most recent A-CAM version, and the illustrative results released with it, “incorporate[] study area-specific plant mix values submitted by rate-of-return carriers, update[] broadband coverage data to address issues raised by rate-of-return commenters regarding reported competitive coverage, and provide[] an alternative coverage option that excludes from support calculations census blocks served with either fiber to the premises (FTTP) or cable, as requested by one commenter.” *Wireline Competition Bureau Releases Alternative Connect America Cost Model Version 2.1 and Illustrative Results for Potential Use in Rate-of-Return Areas*, Public Notice, DA 15-1431 (rel. Dec. 17, 2015).

NTCA recently submitted a letter suggesting steps needed to improve and finalize a model-based support option generally. *Ex Parte* Letter from Michael R. Romano, Sr. Vice President-Policy, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the “Commission”), WC Docket No. 10-90 (filed Dec. 15, 2015). The instant letter is sent specifically now with respect to illustrative result 4.2 of the most recent A-CAM model run, which as requested by ITTA-The Voice of Mid-Sized Communications Companies (“ITTA”), shows what model-based support could be available if no funding were provided for census blocks where a rate-of-return-regulated local exchange carrier (“RLEC”) had already deployed FTTP or cable modem network technologies to serve consumers. As Report 4.2 makes clear, this revised assumption results in significant changes in anticipated model-based support from prior iterations, particularly for those RLECs that have made the most substantial efforts to deploy advanced networks and deliver on the promise of universal service for their communities. NTCA welcomes efforts by the Commission to test publicly various means of achieving policy objectives, continues to be a strong supporter of ensuring that additional funding distributed via the model should go to those areas that need it most, and believes any model funding should be tethered to robust and responsible service delivery goals. But after reviewing the results of Report 4.2, NTCA submits that a material presumption underlying this report raises a potential fundamental concern with respect to universal service policy; in particular, Report 4.2 could be read to convey a policy position that those networks already built by RLECs seeking to advance universal service are somehow less important, and less in need of sufficient ongoing funding, than those higher-capacity networks that are still to be built by other RLECs. To the contrary, *each* kind of network – those already built and those still to be built – is equally important to the mission of universal service, and *each* kind of network requires sufficient and predictable support as described further below.

As a matter of overall universal service policy, a narrow “stimulus-like” focus on getting networks “out there” and tallying a scoreboard of locations to be initially served has seemed to take hold in recent years, often at the expense of the actual statutory mission of universal service: ensuring reasonably comparable services are available at reasonably comparable rates. To be sure, the deployment of advanced networks in the first instance is a necessary prerequisite to achieving this statutory mission, *but building a network is not and cannot be the sole and final objective of universal service*. Rather, a successful, efficient, and effective universal service policy must focus not only on “getting networks out there” but also on “keeping them out there” – and keeping services offered atop them affordable and of a quality similar to those available in urban areas. Only if networks can be kept up over time and only if consumers can afford services on those networks will universal service dollars actually be put to good, efficient use in furtherance of the statutory mission. Put simply, universal service will fail if sustainability is not treated as a co-equal goal with initial deployment.

NTCA appreciates what would appear to be one objective of Report 4.2, which is to consider how additional Connect America Fund (“CAF”) reserve funding distributed via A-CAM support can be targeted to areas where broadband is lacking and presumably paired with meaningful and robust build-out obligations to overcome service gaps. But, upon review of Report 4.2, the means in which this is achieved by ITTA’s suggestion – that is, eliminating *all* support in census blocks where advanced networks have already been built – must not overlook the ongoing need for sustainability of networks and affordability of services. Even where the most advanced fiber or cable modem networks have already been put into place, there are indisputably ongoing costs (*e.g.*, operations, maintenance, upgrades to keep pace with consumer speed and bandwidth demands, and loan repayments, just to name a few) that must be recovered. In high-cost areas, such costs require sufficient universal service fund (“USF”) support to ensure consumers are not paying outrageously excessive rates for substandard services. Indeed, the A-CAM itself recognizes this by *otherwise* providing support for both capital and operating expenses for services to eligible locations.

Just the implication, however, that certain locations need no support at all simply because the network has already been built would be wrong as a matter of economics, would be inconsistent with universal service policy, and could ultimately set bad precedent. Even if this implication arises within the narrow context of distributing additional CAF reserve funding via A-CAM, it is essential that the Commission clarify and reaffirm an express commitment to ongoing support over the lives of the networks that support enables. A debate over how best to target A-CAM support to where it is needed most to serve consumers is one that NTCA wholeheartedly embraces, but this must ensure that “the right carriers are taking the model for the right reasons.” Any measure that attempts to target funding by implying that it is cost-free to operate and maintain networks once built risks missing the mark, and requires at least some explicit recognition that there *are* indeed ongoing costs that need support on all kinds of networks. Thus, if the Commission will give any consideration at all to A-CAM version 2.1 and data captured in Report 4.2, it must at a minimum: (1) explicitly acknowledge as a policy matter that there are ongoing costs associated with operating and maintaining networks once they are built and delivering services over them; (2) consider as well other means of targeting model-based support toward areas that need it most without somehow inferring that there are no costs of operating networks and providing services after networks are initially deployed; and (3) ensure that the ongoing costs of operating networks and providing services are then accurately captured both within the A-CAM and ultimately in the outputs from the model.¹

¹ Other questions or concerns arising out of initial review of Report 4.2 include: (i) why the results do not appear to include any use of Connect America Fund reserves required to help stimulate deployment by A-CAM electors; (ii) why the report utilizes a funding cap maximum of \$200 rather than adjusting that cap upward to enable reaching more locations; and (iii) why all cable plant – some of which could be decades old and more analogous to basic DSL than fiber – would be treated as a disqualifying technology.

Finally, to the extent that part of the Commission's reasoning in releasing A-CAM version 2.1 and Report 4.2 is that RLECs that have already built robust advanced networks will have the choice to either: (a) voluntarily elect model-based support if it provides increased funding over existing support *or* (b) remain on existing USF mechanisms to obtain recovery of such costs in lieu of adopting model-based support, NTCA concedes this could be a true and valid point. Indeed, such reasoning would only highlight that the existing USF mechanisms have actually done better than any other USF system to date in encouraging broadband deployment and ongoing offering of services to consumers. (In this regard, one might think good public policy would look to build upon the success of those mechanisms rather than pursuing ways to scrap or throttle them.) But such thinking would also underscore the importance then of not disrupting or confusing the mechanics of those existing USF mechanisms in a way that undermines sufficient and predictable cost recovery.

Put another way, the theory that "already-built" RLECs do not need access to model-based support because they can continue to rely upon existing USF mechanisms to recover their ongoing costs of FTTP or cable plant deployment would be true and valid only to the extent that RLECs can in fact then continue to rely upon those mechanisms – in short, such a theory only works if any reforms that might be made to those existing USF mechanisms are carefully targeted to improve their operation rather than risking potential derailment of their positive track record to date. For this reason, it is essential that the Commission test carefully any potential changes to the existing USF mechanisms and ensure any reforms that are ultimately adopted improve and enhance an already-successful system that is more in need of surgical updating and fine-tuning than complete reshuffling and reworking. Such a thoughtful, carefully calibrated approach will be essential to ensure that RLECs can have a meaningful and informed set of choices between model-based support and continued receipt of support from the USF mechanisms that have enabled so many of them to deploy and operate the advanced networks now captured in (and then excluded from) Report 4.2.

Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS.

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President – Policy

cc: Chairman Tom Wheeler
Commissioner Mignon Clyburn
Commissioner Ajit Pai
Commissioner Jessica Rosenworcel
Commissioner Michael O'Rielly
Ruth Milkman
Stephanie Weiner
Rebekah Goodheart
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