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January 21, 2016

Via ECFS

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

**Re: *Ex Parte* Filing of the Fiber to the Home Council on: Connect America Fund,
WC Docket No. 10-90**

Dear Ms. Dortch:

On January 19, 2016, Cheri Beranek, President and CEO, Clearfield Inc., Heather Burnett Gold, President and CEO, Fiber to the Home Council (“FTTH Council” or “Council”), and the undersigned, Thomas Cohen, Kelley Drye & Warren LLP and Counsel to the FTTH Council, met with: Commissioner Pai and his Legal Advisor, Nicholas Degani; Commissioner O’Rielly; Rebekah Goodheart, Legal Advisor to Commissioner Clyburn, and Travis Litman, Senior Legal Advisor to Commissioner Rosenworcel. On January 20th, the same individuals met with Stephanie Weiner, Senior Legal Advisor to Chairman Wheeler. The purpose of these meetings was for Ms. Beranek, whose company manages the deployment of and supplies equipment for FTTH networks, to provide input for the development of the Connect America Fund (CAF) Phase II competitive bidding process.¹

¹ The Council met with Commission staff in November, 2015 to discuss similar issues in this proceeding. See *Ex Parte* Letter from Edward A. Yorkgitis, Counsel to the Fiber to the Home Council, WC Docket No. 10-90 (Nov. 20, 2015) (“The financial model developed by the Council...demonstrates that over the 10 year term of the [Connect America Fund Phase II] 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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During the meetings, Ms. Beranek made the following points:

- Clearfield manages and provides equipment for FTTH deployments. Over the past eight years, it has participated in the deployment of approximately 500 FTTH networks. These builds have occurred in virtually all areas of the country, urban, suburban, and rural.
- Because rural areas are less dense, the economics of building FTTH networks in these areas can be more challenging. Clearfield, however, has found that by using innovative practices and equipment, the costs of deployment in all areas, including rural areas, can drop substantially. For instance, in working with a rural provider in a smaller community in Minnesota, it used “open architecture” equipment and other practices that resulted in the FTTH deployment costing approximately \$800 per home passed, which is similar to the cost of an urban build. In another build in rural Oregon, the cost to pass a home was approximately \$1,100. Just five years ago, the cost of a rural FTTH build was much greater. In fact, for its analysis in the *National Broadband Plan*, the Commission used a cost of \$1,600 per home passed in areas where the density is ten households per square mile.² Moreover, further cost reductions should be expected. Clearfield is focused on lowering labor costs, which are among the largest cost components of network construction. Clearfield believes these costs can be reduced by providing equipment that is easier to connect and increasing the productivity of workers, including through better training.
- The payback period for FTTH builds also has decreased materially in most rural areas to seven years, if not less, and should continue to decline. This is not only due to the reduced costs of deployment but because FTTH networks have much lower operating costs, and they have higher revenue opportunities, which is due to higher take-rates and greater demand for higher speed services.
- These beneficial FTTH deployment trends in rural areas are exemplified by the recent and ongoing FTTH network deployment by Douglas Fast Net (“DFN”), which has 2,500 subscribers. Some ten years ago, finding that it operated electric facilities in an area with poor broadband service, DFN first deployed a fixed

² See “The Broadband Availability Gap, OBI Technical Paper No. 1,” Federal Communications Commission, at 96 (2010).

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wireless technology. It, however, found that real-world coverage was much less than theoretical coverage and that even in areas that were covered, real-world performance was less than predicted performance. In addition, there were network reliability issues that resulted in frequent service calls, raising operating expenses. It next turned to deploying wireline DSL facilities but found they were inadequate to meet subscriber broadband performance requirements. As a result, it has undertaken a FTTH build, which has proven economically sound because deployment and operating costs have been reduced, subscribership is very high (a 70% take-rate), and subscribers are taking higher-speed tiers of service.

- Based on these market factors, the Commission should conclude that FTTH deployments in all but the very least dense rural areas are economically viable and will be increasingly so. This means that the Commission should feel confident that it can use CAF support to bring the same “future-proof” technology” (FTTH networks) to unserved areas cost-effectively and should not fear “running out of support” if FTTH is preferred in a competitive bidding process. The Commission also should not provide support for networks based on their theoretical coverage or performance or average coverage or performance. Consumers have demonstrated that they value high-performance, high-quality broadband service and are increasingly subscribing to low latency, higher-speed³ service with no, or at most very high, data limits.⁴ This means that by the end of the 10-year life of the program, subscribers should be taking broadband service at speeds surpassing 1 Gbps – a speed tier that is offered to a great many urban consumers today.⁵

³ See “2015 Measuring Broadband America Fixed Project Report,” Federal Communications Commission (Dec. 30, 2015). According to this report, the average actual download broadband speed tripled between March 2011 and September 2014. In addition, the maximum advertised speed among the most popular service tiers approximately doubled from September 2013 to September 2014.

⁴ See, e.g., Leichtman Research Group Press Release “Nearly 1.2 Million Added to Broadband in the First Quarter of 2015,” (May 15, 2015) available at: <http://www.leichtmanresearch.com/press/051515release.html>. This research describes the growth in subscribership for high-performance broadband services and the decline in subscribership for DSL services.

⁵ See, e.g., “Where in America Can You Get Gigabit Internet (Right Now)?” available at: <http://highspeedgeek.com/america-gigabit-internet/>.

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Rural consumers and communities should be assured they can get service with these capabilities.

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

Sincerely,



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Counsel for the American Cable Association

cc: Commissioner Ajit Pai and Nicholas Degani
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