

May 11, 2016

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Notice of Ex Parte Presentation (WC Docket No. 10-90)*
CAF Phase II Competitive Bidding

Dear Ms. Dortch:

On May 9, 10, and 11, 2016, Hughes Network Systems (“Hughes”) met separately with legal advisors from each of the Commissioners’ offices to discuss the pending item regarding the competitive bidding process for Connect America Fund (“CAF”) Phase II. Specifically, on May 9, Hughes met with Stephanie Weiner of Chairman Wheeler’s office and Carol Matthey and Alexander Minard of the Wireline Competition Bureau; on May 10, Hughes met separately with Travis Litman of Commissioner Rosenworcel’s office, Nicholas Degani of Commissioner Pai’s office, and Amy Bender of Commissioner O’Rielly’s office; and on May 11, Hughes met with Rebekah Goodheart of Commissioner Clyburn’s office. In each meeting, Hughes was represented by Jennifer Manner, Senior Vice President, Regulatory Affairs, and undersigned counsel.

In the meetings, Hughes addressed the attached talking points, which were distributed to the meeting attendees. Hughes also urged the Commission to ensure that the current order establishes a clear framework that will allow the Commission to ensure a competitively and technologically neutral bidding process for CAF Phase II support as the proceeding moves forward. In the meeting with Ms. Goodheart, Hughes also expressed strong support for including in this order a framework for the Remote Areas Fund.

Marlene H. Dortch, Secretary

May 11, 2016

Page 2

This letter is filed consistent with the Commission's ex parte rules. Please direct any questions regarding this filing to the undersigned.

Sincerely,

/s/

L. Charles Keller

Attachment

cc: Stephanie Weiner
Rebekah Goodheart
Travis Litman
Nicholas Degani
Amy Bender
Carol Matthey
Alexander Minard

**Connect America Fund Phase II Competitive Bidding:
Hughes Network Systems
May 2016**

Satellite Broadband Covers America Successfully

- Per FCC's 706 Report, using 4/1 or 10/1 as standard, satellite decreases the number of Americans without access to broadband to below 1.5M nationwide. (App. F)
 - Satellite capacity limits will impose constraints on actual bidding.
- Market research shows that satellite broadband customers are in the middle of the pack among all broadband customers in satisfaction levels.
- Data from Consumer Reports demonstrates that recent broadband consumer satisfaction surveys put ViaSat/WildBlue at or above the level of cable broadband and DSL.

A Reverse Auction Should Lead to an Efficient Result

- One of the Commission's main goals in the creating the Connect America Fund (CAF) was to ensure that funding is used efficiently.
- The National Broadband Plan proposed, and the USF/ICC Transformation Order adopted, an approach that would allow the market to help identify the provider that will serve the area at the lowest cost.
 - The plan for the CAF also has always called for eligibility criteria that are competitively and technologically neutral. This maximizes participation and helps ensure that areas are served by the most efficient providers.

Efficiency is a Practical Imperative

- Hughes-commissioned CostQuest analysis showed:
 - Serving all remaining customers requires support levels between \$254 - \$420 per customer per year (well below model-based levels).
 - If all bids are at model-based levels, only 46% – 75% of customers will receive service.

CAF Phase II Framework

- No criteria in the CAF Phase II process should establish a specific preference for any particular technology, such as fiber.
 - It would violate the FCC's technology neutrality principle for the FCC to adopt a bidding category or priority for bidders proposing a fiber-based solution.
 - In addition, such an approach would result in higher costs that would limit the number of U.S. households that would receive service through CAF Phase II.
- If the Commission does not conduct a completely open auction, the Commission should establish reasonable criteria for evaluating competing bids from different types of providers.
 - The bidding system must recognize that a number of factors are relevant and should be weighed against one another:

- Speed
 - Latency
 - Capacity
 - Economic efficiency (subsidy level)
- Hughes has proposed a bidding credit system or a point system to balance these factors. Other approaches could be acceptable, as long as they recognize that no legitimate provider should be excluded based on physical constraints on any one of these factors, and that U.S. consumers today balance these factors against one another in selecting providers.

Satellite-specific issues

- Funding for locations that do not take service: Hughes has offered not to be reimbursed (subject to build-out flexibility, as discussed below).
- Build-out requirements: Satellite providers will always be able to serve very rural customers more quickly than terrestrial providers. How much more quickly depends on the extent to which funding allows for the reservation of capacity for customers that do not currently take service.