



March 24, 2010

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

***Ex Parte Notice***

***In the Matter of a National Broadband Plan for Our Future, GN Docket No. 09-51***

Dear Ms. Dortch:

On Tuesday, March 23, 2010, Commissioner Mignon Clyburn and Angela Kronenberg met with Delbert Wilson, General Manager, Hill Country Telephone Cooperative, Ingram, TX, and I to discuss the National Broadband Plan.

We discussed NTCA's initial reaction to the plan which is outlined in the enclosed presentation which was given at NTCA's Legislative Conference in Washington D.C. on March 22, 2010. The discussions were consistent with the enclosed document and NTCA's positions filed previously in comments in the above-referenced docket.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. If you have any questions, please do not hesitate to contact me at (703) 351-2146.

Sincerely,

/s/ Daniel Mitchell  
Daniel Mitchell  
Vice President  
Legal and Industry

DM:rhb  
Enclosure

cc: Angela Kronenberg

# Federal Regulatory Update

**NTCA Legislative Conference  
Washington D.C.  
March 22, 2010**

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**NTCA**   
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION  
*The Voice of Rural Telecommunications*

# Regulatory Review

**1. The Current FCC**

**2. National Broadband Plan (NBP)**

**3. NTCA Efforts to Shape Final NBP**

# The New FCC



**FCC Chairman  
Julius Genachowski**



**Commissioner  
Michael J. Copps**



**Commissioner  
Robert M. McDowell**



**Commissioner  
Mignon L. Clyburn**



**Commissioner  
Meredith A. Baker**

# National Broadband Plan

## The NBP's Six Long-Term Goals:

1. 100 million homes should have access to broadband service that provides 100 mbps download and 50 mbps upload speeds by 2020.
2. United States should have the fastest and most extensive wireless network in the world.
3. Every American should have affordable access to broadband service.
4. Every community should have access to at least one gigabit per second broadband service to anchor institutions, such as hospitals, schools, and government buildings.
5. Every first responder should have access to a nationwide, wireless, interoperable broadband public safety network (E911).
6. Every American should be able to use broadband to track and manage their real-time energy consumption (Smart Grid).

# National Broadband Plan

- **The NBP is a 10 year plan.**
  - Stage One (2010–2011): The FCC will conduct multiple rulemakings, gather information, model costs and revenues, and conduct mapping studies.
  - Stage Two (2012–2016): The FCC will start implementing new reform rules and begin transitioning existing USF support to a new broadband Connect America Fund (CAF).
  - Stage Three (2017–2020): The FCC will complete migration of the voice USF funds to the CAF.

# National Broadband Plan

- **USF Reform.**

- **Goal:** Support the provision of voice and broadband service in areas that would be unserved without USF/CAF support. In others words investment gap areas or market failure areas.
- CAF support provided in only geographic areas where there is an investment gap/market failure.
- One CAF supported broadband provider per geographic area.

# National Broadband Plan

- **USF Reform.**

- Eligibility for CAF support will be technology neutral.
- Determining which provider will receive CAF support will be based cost-efficiencies and performance value provided to consumers in the geographic area.
- CAF to support at least 4 mbps download speed broadband capability.

# National Broadband Plan

- **USF Reform.**

- Recipients of CAF support will be accountable for its use and subject to enforceable timelines for achieving universal broadband service.
- At the end of a defined transition period (10 years), funding under the voice high-cost mechanisms will end.

# National Broadband Plan

- **USF Reform.**

- Eliminate the Identical Support Rule in 5 Years.
- Move Rate-of-Return (RoR) Carriers to Price-Cap Incentive Regulation.
- Freeze Interstate Common Line Support (ICLS) on a per line basis while transitioning current high-cost voice support to the CAF.
- Retarget current price cap carrier Interstate Access Support (IAS) to support broadband.

# Projected Federal USF for 2010

- High-Cost USF \$4.6 Billion
- Low-Income USF \$1.2 Billion
- Schools & Libraries \$2.7 Billion
- Rural Health Care \$0.2 Billion
  
- Total USF 2010 \$8.7 Billion

# State USF 2010

- 21 States have high-cost USF mechanisms that collectively distribute over \$1.5 billion in state USF support.
- 33 States have low-income USF.
- 9 States have schools & libraries USF.
- 27 States have telehealth USF networks.

# Federal High-Cost USF in 2009

- \$2.0 Billion to 814 Rate-of-Return Carriers.
- \$1.0 Billion to 17 Price-Cap carriers.
- \$1.3 Billion to 212 wireless and wireline competitive local exchange carriers (CETCs).
- \$4.3 Billion Total High-Cost USF Support Distributed in 2009 to all Carriers.

# Targeting New Federal Broadband USF

- Target areas that are currently unserved.
- Over time develop a broadband USF mechanism that supports broadband service in unserved and served areas.
- The amount of USF support required for those areas that currently receive USF support will depend on many factors, such as market demand, service performance, the distribution mechanism selected, and efficiencies of the IP network.

# National Broadband Plan

- The FCC is working on a new broadband cost model to size the amount of future broadband USF/CAF support to be distributed to geographic areas where affordable broadband would not be available without USF support.
- The FCC cost model will be an incremental model building off of existing networks.
- Future broadband USF/CAF support will be awarded on a technology neutral basis and will be given to a single provider serving an area.
- Middle mile costs will be included in the cost model.

# National Broadband Plan

- NTCA is developing a rural broadband cost model to ensure that all relevant cost factors related to serving high-cost rural areas throughout the United States are included in the FCC's final broadband cost model that will be used to determine investment gap/market failure areas and the amounts of new CAF broadband support that will be distributed to those areas in the future.
- FCC looking forward to NTCA's input on the broadband cost model.
- FCC's broadband cost model to be completed within 24 months.

# National Broadband Plan

- **Intercarrier Compensation (IC) Reform.**
  - **Goal:** Eliminate per-minute access charges over the next 10 years and enable adequate cost recovery through the CAF.
    - **Step 1:** Reduce intrastate access rates to interstate levels in equal increments.
    - **Step 2:** Reduce intrastate access rates and interstate rates to local reciprocal compensation rates in equal increments.
    - **Step 3:** Reduce all per-minute rates to zero in equal increments.
  - Consider lost access revenues in calculating the investment gap to provide broadband and voice service with revenue replacement from the CAF provided only above a set benchmark for local rates and subscriber line charges (SLCs).

# National Broadband Plan

- **Poles, Conduits, and Rights-of-Way.**
  - Establish low and more uniform pole attachment rates, and simplify and expedite the process for service providers to attach facilities to poles.
  - Improve rights-of-way management for cost and time savings.

# National Broadband Plan

- **Lifeline and Link-Up Programs.**
  - Expand Lifeline and Link-Up Programs by allowing subsidies provided to low-income Americans to be used for broadband.
  - Consider licensing a block of spectrum with a condition to offer free or low-cost service that would create an affordable alternative for consumers, reducing the burden on USF.

# National Broadband Plan

- **Wireless.**

- The NBP recommends that the FCC create a targeted mobile fund (MF) to address states that significantly lag behind the national average in 3G coverage.
- The MF will be a capital expenditure (Capex) fund for building towers to fill in 3G coverage gaps throughout the United States.
- The MF will not support wireless provider operations expenses (Opex).

# National Broadband Plan

- **Wireless Spectrum.**

- Currently the FCC has only 50 megahertz in inventory, just a fraction of the amount necessary to match growing demand.
- More efficient allocation and assignment of spectrum will reduce deployment costs, drive investment and benefit consumers through better performance and lower prices.
- Make 500 megahertz of spectrum available for broadband within 10 years, of which 300 megahertz should be made available for mobile use within 5 years.

# National Broadband Plan

- **Set-Top Boxes:**
- The NBP acknowledges the failure to establish a competitive retail set-top box market, with Motorola and Cisco together holding 95% share of the market in 2009.
- The NBP plan seeks a competitive set-top box market similar to mobile phone handsets and computers markets.
- The NBP proposes that the FCC require all video distributors (CATV, IPTV, DBS) be required to install a simple "gateway" device by the end of 2012.

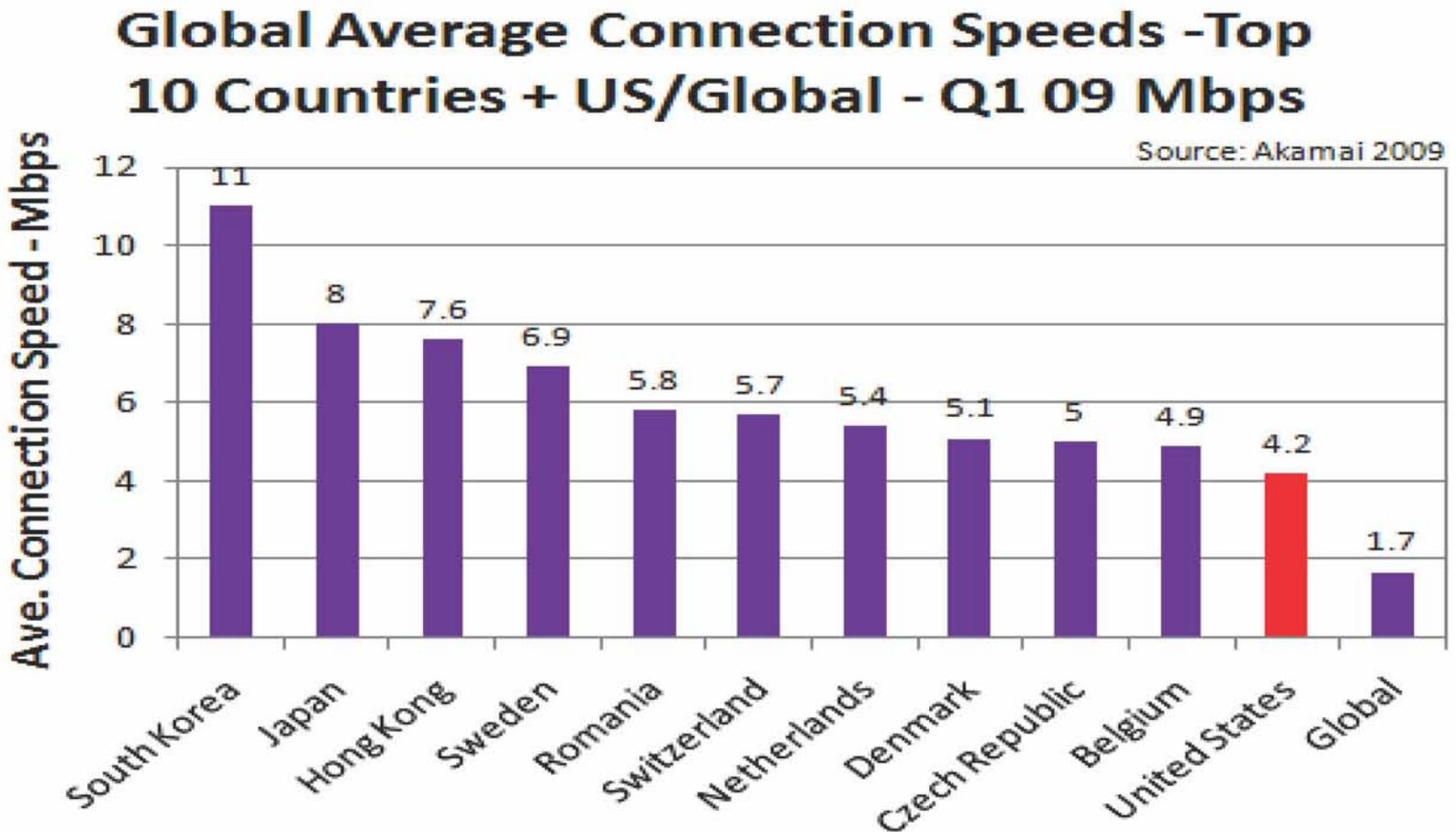
# National Broadband Plan

- The NBP will not recommend reclassifying broadband from Title I to Title II regulation as this point in time, but rather will put out for further public comment arguments for and against Title I and Title II regulation.
- The NBP will also not recommend changing the USF contribution methodology at this time, but rather put out for further comment alternative USF contribution methodologies.
- The NBP does not require broadband providers to open up their fiber networks so that competitors can use these networks to compete directly against incumbents.

# National Broadband Plan

Country	"Universal" availability target (download)	Type of speed	Date
United States	4 Mbps	Actual	2020
South Korea	1 Mbps (99%)	Actual	2008
Finland	1 Mbps	Actual	2009
Australia	0.5 Mbps	Unspecified	2010
Denmark	0.5 Mbps	Unspecified	2010
Ireland	1 Mbps	Unspecified	2010
France	0.5 Mbps	Unspecified	2010
Germany	1 Mbps	Unspecified	2010
United Kingdom	2 Mbps	Unspecified	2012
Australia	2 Mbps	Unspecified	2018

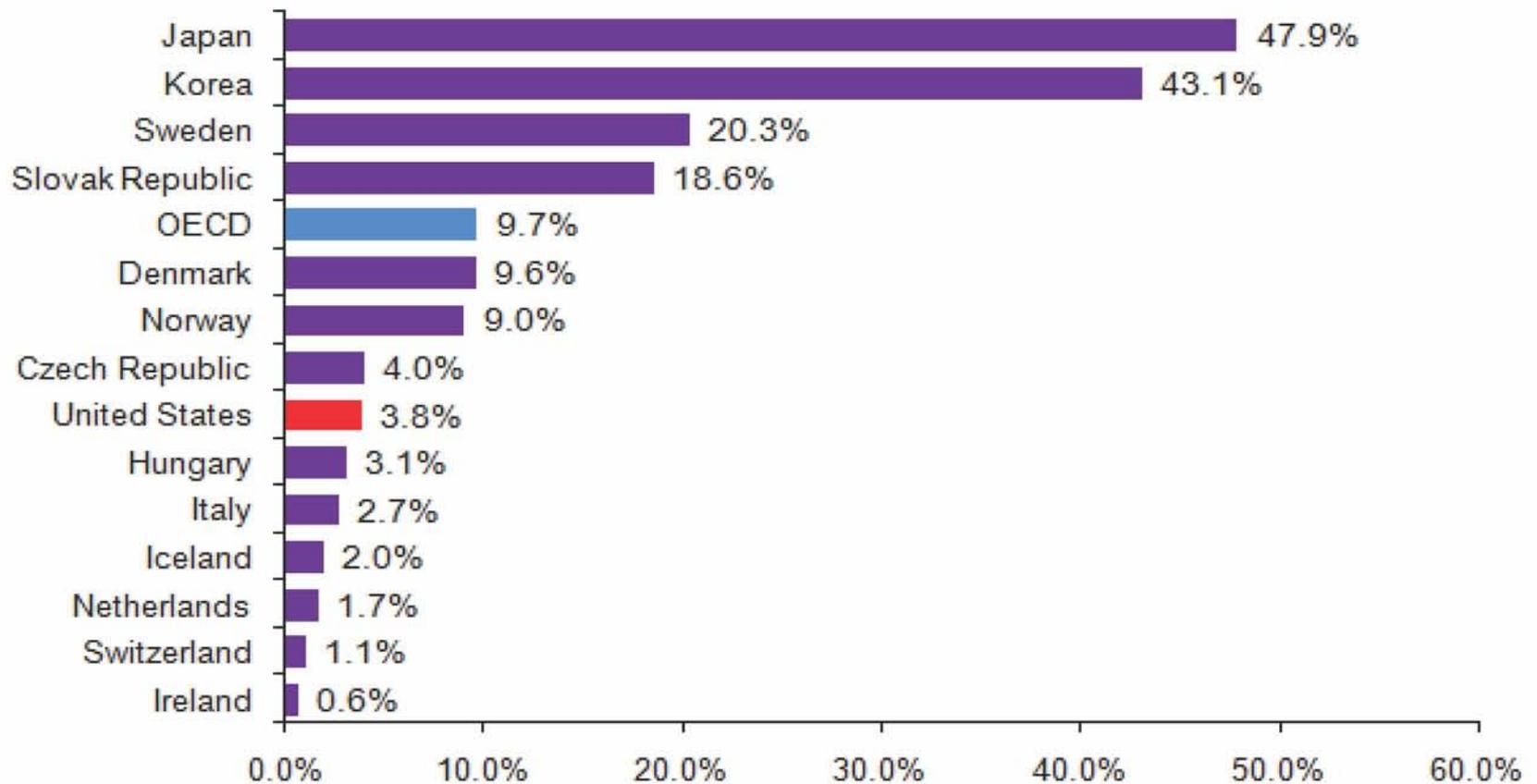
The US came in 18th worldwide in average connection speed, growing at about half the worldwide average increase over the past year. <http://www.websiteoptimization.com/bw/0908/>



# Organization for Economic Co-Operation and Development (OECD)

**Percentage of fiber connections in total broadband subscriptions, December 2008**

Source: OECD



# By 2012 Koreans will get 1 Gbps Broadband.

- The [Korea Communications Commission](#) is working on plans that will boost broadband speeds in that country tenfold by the end of 2012. That means Koreans will access 1 Gbps service by 2012. That's 200 times as fast as your typical 5 Mbps DSL connection sold in the U.S.
- At present, Koreans can get speeds of up to 100 Mbps from their broadband providers. Availability of such high-speed connections has allowed Korea to emerge as a leader in the MMO and online gaming industries. Even higher broadband speeds are going to unveil many new usage scenarios, which can lead to new company creation.
- The efforts are part of giving Korean IT infrastructure a boost, according to KCC. The plan is [going to cost about \\$24.6 billion and will create 120,000 jobs](#). KCC was established because of the convergence of telecom, broadcast and broadband industries.
- Source: <http://gigaom.com/2009/02/01/by-2012-koreans-will-get-a-gigabit-per-second-broadband-connection/>

# NTCA Efforts to Shape Final NBP

- 4 Mbps USF Threshold v. 100 Mbps Goal
- Creates Rural v. Urban Digital Divide
- Conflicts with Comparability Principle
- Threatens Affordability Requirement
- Keeps the United States Lagging Far Behind Other Developing Countries Throughout the World, Specifically South Korea and Japan.

# NTCA Efforts to Shape Final NBP

- Section 254(b)(3), Comparability:
  - “Consumers in all regions of the Nation, including low-income consumers and those in ***rural, insular and high-cost areas***, should have access to telecommunications and information services ... ***that are reasonably comparable*** to those services provided in urban areas and that are available at rates that are ***reasonably comparable to rates charged for similar services in urban areas.***”

# NTCA Efforts to Shape Final NBP

- Sections 151 & 254(b)(1), Affordability.
  - All Americans should have access to quality services at “just, reasonable, and affordable rates.”

# NTCA Efforts to Shape Final NBP

- Maintain RoR regulation for rural ILECs throughout the transition period and allow rural ILECs to base their high-cost USF support on each carrier's study area average costs to ensure affordable and uninterrupted broadband Internet access service to rural, high-cost consumers.
- Immediately implement interim intercarrier compensation (IC) reform by allowing state commissions to reduce, on a company-by-company basis, intrastate originating and terminating tariffed access rates to interstate access rate levels, and allow RoR rural ILECs to recover lost access revenues through increased levels of ICLS support.

# NTCA Efforts to Shape Final NBP

- Allow RoR rural carriers to provide stand-alone/naked broadband service with the same level of universal service funding as allocated to their bundled voice and broadband service during the transition period.
- Require IP/PSTN traffic, specifically interconnected VoIP traffic, to pay applicable tariffed originating and terminating interstate access rates, intrastate access rates, and reciprocal compensation rates, throughout the transitional period and/or until such time as there is no longer a PSTN.

# NTCA Efforts to Shape Final NBP

- Refrain from capping and/or freezing rural carrier high-cost USF support because this will halt broadband deployment in high-cost areas and leave many rural consumers with substandard broadband service or without any broadband service whatsoever.
- Oppose mandatory requirement that all rate-of-return carriers move to price cap incentive regulation.
- Require broadband reliability standards as a condition of receiving future broadband USF/CAF support.

# NTCA Efforts to Shape Final NBP

- Include ongoing operations and maintenance expenses, in addition to construction cost, in the calculation of the future high-cost broadband USF/CAF support.
- Provide fair and equitable cost allocation for facilities and expenses between competitive areas and market failure areas within a rural broadband provider's service area.
- Provide fair and equitable cost allocation and cost recovery for being the carrier of last resort (COLR).

# NTCA Efforts to Shape Final NBP

- Expand the base of USF/CAF contributors to include all retail broadband Internet access service providers.
- Assess USF/CAF contributions based on telecommunications and broadband revenues.
- Open a proceeding to determine whether other companies that impose significant costs on the public Internet, such as Google, should be required to contribute to the new high-cost broadband USF mechanism.
- Allow for separate rules for small carriers pursuant to the Regulatory Flexibility Act (RFA).

# Thank you

- Questions?

**Daniel Mitchell**

703-351-2016

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