Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337

Comments of
Communications Workers of America

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July 12, 2010

The Communications Workers of America (CWA) submits these comments in response to the Commission's Public Notice seeking public input into its Notice of Inquiry and Notice of Proposed Rulemaking regarding the Connect America Fund (CAF), A National Broadband Plan for Our Future (NBP) and High-Cost Universal Service Support. CWA is a labor organization, representing more than 700,000 workers in communications, media, airlines, manufacturing and public service. CWA members have an interest in these proceedings as workers and as consumers.

The Commission undertakes this inquiry at a critical time in the transformation of America's information infrastructure. CWA commends the Commission for moving forward expeditiously on the National Broadband Plan's universal service recommendations. CWA strongly supports Commission action to reform the current framework of the Universal Service Fund (USF), including the High-Cost Universal Support program, to expand high-speed broadband deployment. CWA has long supported a universal broadband infrastructure in the United States that will ensure reliable, accessible, affordable high-speed internet for every American, built, maintained and serviced by highly-skilled union-represented career American workers. Just as the USF has helped to bring affordable telephone service to nearly everyone, it is now time to reform the USF to ensure that everyone has access to high-speed Internet at an affordable price– regardless of income or geographic location.

The National Broadband Plan lays out an appropriate plan and timetable for this transition. Critical elements of success include requiring all USF recipients to invest in broadband according to mandatory timetables; maximizing the impact of USF support for broadband by using USF to subsidize only one broadband provider to make network investments in high-cost areas and avoiding support to duplicative middle- or last-mile networks; phasing in new regulations over a reasonable period of time so that customers and service providers have time to adjust; and committing to bringing one gigabyte (GB) broadband access to anchor institutions such as schools, libraries and hospitals.[1]

Connect America Fund

The Commission seeks comments on the creation of a Connect America Fund (CAF) which, after an appropriate transition period, will replace the current legacy High-Cost programs. CWA strongly supports creation of a dedicated broadband fund, and recommends the following principles to guide the Commission as it adopts policies and rules for the Connect America Fund:

1. **Subsidize only one broadband provider in areas where there is no private sector business case.** CAF funding should only go to geographic areas where there is no private sector business case to provide broadband and high-quality voice-grade service at an affordable rate. CAF funding should subsidize only one broadband provider per designated area. If there is no business case to support even one provider, there is simply no rationale to support multiple providers in a given area. Any support to middle-mile costs should not support the build-out of duplicative infrastructure.

2. **Support networks that can upgrade to higher capacity.** CAF funding should support infrastructure that enables future upgrading of capacity for two-way data-intensive applications. Typically, these will be wireline networks. Otherwise, we risk widening the gap in the rural/urban digital divide.

3. **Support capital and operating expenses**. CAF funding should include support for capital expenditures and operating expenses

4. **Target support at a granular level based on need, not carrier characteristics.** Eligibility for CAF funds should be defined by geographic area, rather than the antiquated "rural" and "non-rural" carrier status. Funding should be targeted at a granular level. Under the current USF rules, costs are averaged across a service area, which in the case of AT&T, Verizon, and Qwest, means an entire state. Thus high-cost areas in AT&T, Verizon, and Qwest territories are often not eligible for USF support because lower-cost urban areas "cancel out" the higher cost rural areas in the state. As a result, the

[1] Federal Communications Commission, Connecting America: The National Broadband Plan, March 2010, page xiv.

Commission has found that roughly half of the housing units without broadband access are located in AT&T, Verizon, and Qwest territories (compared to only 15 percent of unserved households located in the territories of mid-sized price-cap companies that receive more USF support under the current formula.)[2]

5. **Require carrier-of-last-resort obligations and service quality reporting.** Recipients of CAF funds should be subject to provider-of-last-resort obligations, as well as specific service quality reporting requirements that are accountable to enforceable timelines.

6. **Require build-out to anchor institutions.** CAF recipients should also be required to extend or upgrade high capacity lines to anchor institutions. In this way, CAF will also support the NBP goal of 1GB broadband access to anchor institutions.

Reprogramming USF telephony subsidies to support the broadband Connect America Fund

The Commission also seeks comments on more immediate reforms that can be made now, as the transition from the old legacy High-Cost programs to the Connect America Fund takes place. CWA recommends these reforms that will result in cost savings that can then be reprogrammed into the new CAF:

1. **Ensure USF supports investment, not exorbitant shareholder dividends.** Conduct an audit of current USF recipients. For any recipient with a dividend pay-out ratio (defined as dividends divided by net income) above 75 percent, reduce the amount of USF support by the amount of dividends paid that exceed 75 percent of net income.

2. **Broaden the contribution base.** The Commission must ensure a broader, more stable and equitable USF funding structure. The USF is undergoing significant strains as its funding base declines while funding demands increase. Currently, the fees are not fully assessed on such growing services as broadband Internet connections or a significant portion of most wireless calls. This lack of a broader funding base is not only inequitable, as it favors some competitors over others, but it is also unstable. The current contribution scheme should be changed and instead, every provider should be assessed a USF fee based on numbers (phone numbers), connections (high-speed, non-circuit switched broadband connections) and capacity (dedicated business connections). This approach would eliminate arbitrary regulatory exemptions from contribution obligations, protect the fiscal stability of the USF, and ensure fully equitable and competitively neutral contribution obligations for all competitors regardless of technology or market.

[2] Federal Communications Commission, Connecting America: The National Broadband Plan, March 2010, page 141.

3. **Require current USF recipients to provide broadband service.** The best way to accelerate funding for the CAF is to mandate that any current carrier receiving Universal Service Funds must provide broadband service and upgrade/extend high capacity broadband to anchor institutions. Carriers should be required to submit a broadband upgrade plan before and after receiving funding. The plan should include service to households, small businesses, and anchor institutions. These plans would have to meet the National Broadband Plan goals. Carriers that do not meet the deadlines would be subject to penalties including the reimbursement of USF monies already obtained.

4. **Implement Verizon Wireless and Sprint merger commitments.** Implement the voluntary commitment by Verizon Wireless and Sprint to eliminate the reliance on USF funds. This will result in an additional $3.9 billion over a decade.

5. **Re-target Interstate Access Support (IAS) to broadband deployment**. Carriers that currently receive IAS should continue to receive these funds, but should be required to use the funds to build out broadband to unserved or underserved areas. This will repurpose $4 billion for broadband over a decade.

6. **Eliminate Competitive Eligible Telecommunications Carrier support to zero**. The NBP recommends this reform take place over 5 years.

7. **Immediately implement the NBP recommendation that any family plan be treated as a single line.**

Respectfully Submitted,

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