Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 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

REPLY COMMENTS
OF THE
UNIVERSAL SERVICE FOR AMERICA COALITION

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SUMMARY

Despite the diversity of the commenting parties, this proceeding's voluminous record reflects widespread agreement on several key points. First, the universal service reform proposals set forth in the National Broadband Plan ("NBP") and the Commission's reform implementation strategy are both substantively and procedurally deficient, and will remain so absent further legislative action. Second, the NBP's reform proposals are not the best means for fostering rapid and sustainable deployment of affordable broadband. Third, the systematic dismantling of competition throughout rural America threatens harm to consumers and businesses across the Nation. Rather than wasting resources on proposals that would neither achieve the Nation's broadband goals nor survive certain judicial challenge, the Commission instead should base its reform efforts on the current Act and seek to remove the obstacles that slow the deployment of affordable broadband services throughout the Nation.

History teaches, and the record in this proceeding confirms, that in a competitive environment carriers will naturally seek to provide consumers with the fastest service possible in order to gain an advantage in the marketplace. By contrast, carriers that face no competitive threat have little to no incentive to make the investments necessary to increase service speeds. America's recent experience with wireline broadband service proves that competition spurs broadband deployment faster than regulatory mandates could. For this reason, the NBP's recommendation to support only one carrier in each area is the wrong solution to a difficult problem.

Instead of insulating a single carrier from competitive forces, the Commission should: (1) identify and seek to eliminate obstacles -- not all of which are monetary -- that have led some areas to be underserved today; and (2) ensure that any support necessary is distributed in a manner that does not inhibit competition or create incentives for unsustainable entry. Since

previous reform proposals, including the NBP's proposed "market-based" mechanism, fall short of these goals, the USA Coalition proposes a fresh perspective on identifying areas where support is necessary and distributing support accordingly.

The USA Coalition's proposed distribution mechanism directly addresses the two primary cost-related obstacles that make high-cost areas more difficult to serve than urban areas ***without***:

- changing the competitive position of any carrier vis-à-vis its competitors, regardless of whether those competitors are using the same or different technologies; or
- creating distorted incentives for potential new market entrants.

The distribution mechanism levels the playing field between urban and high-cost markets by explicitly making a particular carrier's service cost per potential subscriber reasonably comparable to the same carrier's service cost per potential subscriber in an average urban market. Support would be sufficient to create the same incentives and disincentives for carriers serving rural, insular and high cost areas as they would face in urban areas. As such, the USA Coalition approach provides a superior means for encouraging deployment without distorting the market by insulating any ETC from competition (because every ETC would face competition or the threat of competitive entry) or creating incentives for too many carriers to enter the market (because ETCs would be reimbursed for only a portion of their actual expenditures). Importantly, the USA Coalition's proposal reflects the requirements of the Act, could be adopted regardless of whether the FCC reclassifies any services, and addresses the concerns that other parties have expressed about the recommendations set forth in the NBP and the NOI/NPRM.

As numerous parties have noted, until the Commission adopts a replacement distribution mechanism, the agency cannot determine (and parties cannot provide meaningful comment on) an appropriate transition plan. The record also reflects widespread agreement that the phase-

down of support in the interim is fundamentally inconsistent with the Act because the Commission has insufficient facts to rationally conclude whether the phase-down would result in insufficient support in any given area. Moreover, the arbitrary phasing-out of support before a replacement mechanism has been adopted is illogical because (1) the Commission cannot "stockpile" reductions in distributions to spend at a later date on broadband, and (2) additional support is required in some regions, otherwise no carrier will be capable of participating in the Connect America Fund for that area ("CAF"), which is presumably why the Commission created the Mobility Fund in the first place. Further, the Act mandates that any transition mechanism be competitively and technologically neutral and, thus, the proposed five-year transition for CETCs and ten-year transition for ILECs cannot be justified, as numerous parties observed in their initial comments.

Similarly, the Commission cannot determine whether the use of a cost model would be appropriate and, if so, what type of model would be appropriate until the Commission has reached greater certainty regarding how the model would be used in any replacement distribution mechanism. The record demonstrates that the burdens associated with developing and maintaining a cost model solely for use to set reserve prices for reverse auctions would far outweigh the benefits. It is premature to request comment on cost models for other potential uses without more detail about the distribution mechanism for which the model is being considered.

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REPLY COMMENTS OF THE USA COALITION

The Universal Service for America Coalition ("USA Coalition" or "Coalition"), by its attorneys, hereby replies to comments filed on July 12, 2010 in the above-captioned proceeding to address key issues raised by the Notice of Inquiry and Notice of Proposed Rulemaking released by the Federal Communications Commission ("FCC" or "Commission") on April 21, 2010 ("*Notice*").[1] The record in this proceeding demonstrates that the recommendations for universal service reform set forth in the NBP, as well as the plans for their implementation, are not the best policy for fostering the rapid deployment of affordable broadband throughout the Nation.

The record further demonstrates that even if the recommendations were the best means for achieving the Nation's broadband goals, the Commission lacks the authority to adopt these proposals absent further legislative action. Accordingly, the USA Coalition respectfully submits that the Commission should base its reform efforts on the Communications Act of 1934, as amended (the "Act") and seek to remove the obstacles that slow the deployment of affordable broadband services throughout the Nation rather than wasting resources on proposals that would neither achieve the Nation's broadband goals nor survive certain judicial challenge.

[1] *In the Matter of Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, GN Docket No. 09-51, Notice of Inquiry and Notice of Proposed Rulemaking, FCC 10-58 (rel. Apr. 21, 2010) ("NOI/NPRM").

I. THE NBP REFORM PROPOSALS AND THE PLAN FOR IMPLEMENTATION ARE BOTH SUBSTANTIVELY AND PROCEDURALLY DEFICIENT

As the USA Coalition emphasized in its initial comments, universal service reform will be effective and sustainable only if it is grounded upon a solid legal foundation.[2] The record in this proceeding reflects widespread concern that the Commission's proposed approach to reform ultimately runs afoul of the statutory mandates of Section 254 of the Act, as amended (the "Act").[3] The Commission should step back and address these crucial threshold issues before proceeding with a proposal that is more likely to be overturned on appeal than it is to lead to sustainable and effective reform.[4] Put simply, absent a well-defined statutory foundation, the Commission's broadband and universal service reform efforts will ultimately fail in a manner that harms the public and the industry,[5] which will only impede the deployment of ubiquitous and affordable broadband.

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[2] Comments of USA Coalition at 2.

[3] Comments of T-Mobile at 5 ("The reasonably comparability mandate of Section 254(b)(3)… requires that rural consumers have competitive choices similar to those offered to urban consumers"); Comments of Pioneer Communications at 3 ("The FCC's proposed changes to universal service violate the universal service principles under Section 254 of the Act."); Comments of AT&T at 3 ("Transitioning support from legacy high-cost mechanisms to a broadband-focused high-cost universal service program in a manner that is consistent with section 254(b)… will take some time."); Comments of Rural Telecommunications Group, Inc. at 3 ("the FCC's decision to cap, cut, and eliminate legacy universal service fund… support violates Section 254 of the Act."); *see also* Comments of BlueSky, Choice & PR Wireless at 8 ("BlueSky"); Comments of United States Cellular at 9 ("US Cellular"); Comments of Rural Cellular Association at 2, 6 ("RCA"); Comments of South Dakota Telecommunications Association at 21; Comments of Kentucky Telephone Association at 11; Comments of Utah Rural Telecom at 5; Comments of NECA at 10; Comments of the Small Company Committee of the Louisiana Telecommunications Association at 3.

[4] Comments of Rural Independent Competitive Alliance at 10 ("Especially given the likelihood of litigation over the Commission's authority in the absence of Congressional clarification, small carriers are justifiably concerned to begin transitioning off of a system that they can understand in exchange for one that is short on specifics and uncertain of adoption."); Comments of Coalition for a Competitive Communications Market at 6.

[5] Comments of Rural Telecommunications Group, Inc. at 7.

A. Members of Every Industry Segment Agree that the Proposed Universal Service Reforms Are Inconsistent with the Act

Commenting parties from across the industry's competitive spectrum agree that, notwithstanding the Commission's policy preferences, the Commission cannot "choose to ignore the plain language of section 254."[6] Indeed, Section 254 *requires* that rural and insular consumers be afforded access to telecommunications and information services reasonably comparable to those services provided in urban areas and at reasonably comparable rates.[7] It bears repeating that any reform proposal must adhere to *all* the requirements of Section 254 or risk being rolled back by the courts.[8]

First, Section 254 requires that reform must be competitively neutral.[9] Indeed, as noted by T-Mobile and others, "competitive neutrality is a statutory requirement."[10] However, many of the Commission's reform proposals are plainly inconsistent with the Act's competitive neutrality mandate as well as the Commission's own precedent.[11] These anti-competitive proposals include, but are not limited to, the proposal to eliminate all support for basic telecommunications service,[12] the subsidization of only one carrier per geographic area for broadband,[13] and the

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6 Comments of Rural Telecommunications Group, Inc. at 2.

7 Comments of Pioneer Communications at 3; Comments of AT&T at 3; Comments of BlueSky at 8; Comments of US Cellular at 9; Comments of RCA at 2, 6; Comments of South Dakota Telecommunications Association at 21; Comments of T-Mobile at 5; Comments of Kentucky Telephone Association at 11; Comments of Utah Rural Telecom at 5; Comments of NECA at 10.

8 Comments of T-Mobile at 5; Comments of ICORE at 12-16.

9 Comments of United State Cellular Corporation at 9; Comments of RCA at 10; Comments of USA Coalition at 9.

10 Comments of T-Mobile at 3; Comments of Sprint at 16 ("the Act mandates that … universal service mechanisms be… competitively neutral.").

11 *See* Comments of T-Mobile at 5, citing *Federal-State Joint Board on Universal Service*, Report & Order, 12 FCC Rcd 8776 at 8801-02 (1997) ("[A]n explicit recognition of competitive neutrality in the collection and distribution of funds and determination of eligibility in universal service support mechanisms is consistent with congressional intent and necessary to promote a procompetitive, de-regulatory national policy framework.").

12 Comments of Rural Telecommunications Group, Inc. at 3.

13 Comments of Alaska Communications Systems at 4.

discriminatory timeline for phasing out CETC support compared with other carriers.[14] Taken together, these proposals and others like them are plainly inconsistent with the Commission's own requirement that "universal service mechanisms and rules" should "neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology or another."[15]

Second, the Commission must ensure that carriers receive sufficient support to maintain universal telecommunications service at rates reasonably comparable to urban areas. A number of commenters have expressed concern that the transition from telecommunications service support to information service support threatens to roll back the successes of the current universal service mechanism by cutting funding to the point that carriers must either pass on significantly higher rates to customers[16] or face the risk of bankruptcy.[17] Indeed, the analysis of Warriner, Gesinger & Associates, LLC adds color to the claim made by several parties that many carriers will be pushed into insolvency if the Commission pursues its proposed changes to the universal service programs.[18] Some areas that are currently "adequately" served may have rates

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14 Comments of CTIA at 10.

15 *First USF Order* at 8801-02 ¶ 47; Comments of T-Mobile at 5; Comments of CTIA at 9.

16 Comments of United States Telecom Association at 3 ("It is very important to properly sequence and transition changes to high-cost support… so as not to abruptly impact revenue flows and create hardships and unnecessary regulatory uncertainty for voice and broadband providers and lead to potential rate shock for consumers.")

17 Comments of the Missouri Small Telephone Company Group at 15 ("These proposed schemes would place the MoSTCG's broadband achievements at risk and threaten the financial viability of the companies."); Comments of Utah Rural Telecom Association at 4; Comments of Warinner, Gesinger & Associates, LLC at 31; Comments of Home Telephone Company, Inc. at 10-11; Comments of Texas Statewide Telephone Cooperative, Inc. at 17-18.

18 Comments of Warinner, Gesinger & Associates, LLC at 31 (Analysis "indicate[s] that nine of the eleven ILECs analyzed by WGA will be unable to make their debt service payments by 2016 as a result of proposed changes to legacy USF programs in the NBP. This would more than likely force these companies into bankruptcy[.]").

spike substantially in order to remain "served" in the absence of support.[19] The Commission must consider the extent to which its proposals would result in policies at odds with the statutory mandate it purports to advance.

B. Commenters Agree That the Commission Must Address Its Authority to Support Broadband Before It May Transition to a New Support Mechanism

Serious questions were raised in the initial comment round regarding the Commission's authority to pursue its proposed reforms.[20] Several commenters doubt that the Commission possesses the authority to eliminate all support for Title II telecommunications services in order to support *only* Title I information services in light of the of the D.C. Circuit's recent *Comcast* decision.[21]

Indeed, as pointed out by several parties, Chairman Genachowski himself acknowledged that the *Comcast* decision raised questions about whether the Commission has the authority to modify the funding mechanism to support broadband.[22] The Commission's General Counsel has expressed similar concerns.[23] That is because, as explained by the USA Coalition in its initial filing, if the Commission were to eliminate all support for Title II telecommunications services, and repurpose such funding towards the support of Title I information services, it would have to

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19 Comments of Indiana Utility Regulatory Commission at 9; Comments of United States Telecom at 8.

20 Comments of Rural Telecommunications Service Providers at 2; Comments of Rural Telecommunications Group, Inc. at 6; Comments of Rural Independent Competitive Alliance at 8; Comments of Wyoming Public Service Commission at 8; Comments of USA Coalition at 12; Comments of ICORE at 19.

21 *Comcast Corporation v. FCC*, No. 08-1291 (D.C. Cir. Apr. 6, 2010) ("*Comcast*").

22 Pioneer Communications, Inc. at 4; *accord* Rural Telecommunications Group, Inc. at 6; Rural Telecommunications Service Providers Coalition at 2; Comments of Rural Independent Competitive Alliance at 8.

23 Statement of Austin Schlick, General Counsel of the Federal Communications Commission, *Implications of Comcast Decision on National Broadband Plan Implementation*, Blogband: The Official Blog of the National Broadband Plan (rel. Apr. 7, 2010) (*Comcast* "may affect a significant number of important Plan recommendations. Among them are recommendations aimed at accelerating broadband access and adoption in rural America… The Commission must have a sound legal basis for implementing each of these recommendations.").

do so under its ancillary jurisdiction under Section 254.[24] However since the Act defines universal service as an "evolving level of telecommunications services," the Commission could not argue that supporting information services at the expense of telecommunications support was necessary to achieve the telecommunications support mandate.[25]

Several parties made the same similar observations. The National Association of State Utility Consumer Advocates, for example, stressed that "the statutory directives for 'affordable' basic telecommunications services, and for telecommunications services in rural areas that are reasonably comparably priced to those in urban areas still exist; they have not be replaced by the directives regarding advanced services."[26] Rural Telecommunications Group, Inc. asserted that Section 254 does not "give the FCC power to flip USF 180 degrees and use universal service monies to create a broadband-based USF out of the ashes of the "legacy" fund[.]"[27] In other words, the Act precludes the Commission from completely replacing the support for telecommunications services with support for broadband.

Some commenters have suggested that the *Comcast* decision requires the Commission to obtain additional statutory authority before funding broadband services,[28] while others suggest that reclassification is necessary to legitimately undertake the full scope of the NBP's proposal.[29] In the alternative, however, AT&T and the USA Coalition have suggested that the Commission could speed broadband investment and deployment simply by clarifying that all carriers may use

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24 Comments of USA Coalition at 12; Comments of Rural Independent Competitive Alliance at 19.

25 Comments of USA Coalition at 12-13; *accord* Comments of ICORE at 19.

26 Comments Of The National Association Of State Utility Consumer Advocates, The Maine Office Of Public Advocate, Office Of The Ohio Consumers' Counsel, Pennsylvania Office Of Consumer Advocate, And The Utility Reform Network at 4 ("NASUCA"); *accord* Comments of ICORE at 12.

27 Comments of Rural Telecommunications Group, Inc. at 9.

28 *Id*. at 16.

29 Comments of USA Coalition at 13.

existing high-cost support to deploy Title I broadband services *in addition to* Title II telecommunications services within their service areas.[30]

II. PHASING OUT SUPPORT BEFORE A REPLACEMENT MECHANISM IS ADOPTED WOULD BE FUNDAMENTALLY INCONSISTENT WITH THE ACT

Serious issues have been raised with the Commission's proposal to begin phasing out high-cost support before a replacement mechanism is developed.[31] Commenters colorfully likened the Commission's proposal to cut high-cost support before a replacement program is developed to: "transform[ing] a propeller plane into a jet fighter while flying,"[32] "leaping before looking,"[33] or, as multiple commenters have described it, putting the "cart before the horse."[34] These metaphors underscore the point that, without knowing to what it is transitioning, and the basis upon which it is transitioning, the Commission cannot have a rational transition plan that is consistent with the Act.[35]

Until the FCC adopts long-term reform the Commission cannot rationally determine the appropriate transition mechanism or even the appropriate timeframe for the transition.[36] Indeed, before phasing out any high-cost support the Commission must "assess how much existing

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30 Comments of AT&T at 4; Comments of USA Coalition at 13.

31 Comments of Oregon Telecommunications Association and Washington Independent Telecommunications Association at 39 (Commenters "urge the Commission not to take the steps to freeze high-cost support… without first establishing the rules for the CAF and how the existing funds relate to and transition to the CAF."); Comments of GTA Telecom, LLC at 4; Comments of USA Coalition at 25; Comments of Comments of TDS Telecommunication Corp. at 13 ("TDS"); Comments of CTIA at 8; Comments of NASUCA at 3.

32 Comments of TDS at 5.

33 Comments of Rural Telecommunications Group, Inc. at 17.

34 Comments of NASUCA at 3 ("[T]he NoI is absolutely unclear on what specific use the model is to be put once it is developed. The [CAF] – where the model apparently will be used – has yet to be even set out for public comment. These and a host of other key questions need to be addressed **before** the model is finalized, much less applied. This is not just putting the cart before the horse, it is attempting to design the cart before knowing whether it will be drawn by a Percheron, a blood Arabian, or an ox.") (emphasis in original); Comments of TDS at 17; Comments of Rural Independent Competitive Alliance at 9; Comments of USA Coalition at 4.

35 Comments of USA Coalition at 23.

36 *Id.* at 3.

support is necessary to preserve existing service"[37] in order to ensure that sufficient support remains to fund existing networks.[38] As argued by the Telecommunications Industry Association: "given the significant role that the existing universal service mechanisms have played in many diverse carrier's investment decisions, the replacement of these support mechanisms with…broadband-focused support *cannot occur on a flash cut basis*."[39]

Indeed, a number of commenters recognize that until new predictable and sufficient support mechanisms are in place, it is premature to begin phasing out existing support or instituting other transition measures.[40] That is, without a better understanding of the replacement mechanism and its own roll-out timeline, it is impossible to determine whether transitioning out of the current regime would even be permissible under the Act. Without knowing how future support will be apportioned and to what extent in which areas, how can the Commission make a rational determination that cutting existing support would result in a level of support sufficient to provide rural America with comparable services at comparable rates? These are not mere hypotheticals; by proceeding blindly towards a predetermined destination, the Commission risks putting the successes of the existing universal service in jeopardy without any assurance that the replacement system will satisfy the Nation's existing and future needs.

With regard to specific transition proposals, the Commission must also address the concerns of a significant number of carriers who agree that the proposed phase-out of support to

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37 Comments of T-Mobile at 3; *accord* Comments of AT&T at 13.

38 Comments of the Small Company Committee of the Louisiana Telecommunications Association at 2; Comments of Regulatory Commission of Alaska at 12.

39 Comments of the Telecommunications Industry Association at 6 (emphasis supplied); *accord* NBP at 143 (NBP "No flash cut" policy: "New rules should be phased in over a reasonable time period. Policymakers must give service providers and investors time to adjust to a new regulatory regime.")

40 Comments of Regulatory Commission of Alaska at 12; Comments of T-Mobile at 4; Comments of Oregon Telecommunications Association and Washington Independent Telecommunications Association at 39; Comments of TDS at 5.

CETCs, as compared to the phase-out proposed for the ILECs, violates the competitive and technological neutrality mandates of the Act.[41] As such, the proposed timeline of ten years for ILECs and five years for CETCs flies in the face of Commission precedent that universal service support and rules "neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology or another."[42]

Even intermodal competitors of the CETCs recognize the patently disparate treatment of CETCs vis-à-vis the ILECS. The National Cable & Telecommunications Association, for example, noted that: "the proposal to adopt a five year phase out [of CETC support], whether it is done in a pro rata basis or an accelerated rate of decline, is not competitively neutral because the Commission has not proposed the same phase out for ILECs."[43] The Commission simply cannot provide any rational justification for the ten-year phase-out of support for wireline carriers as compared to the five-year phase-out of wireless support. In the words of one commenter who noted the disparity in treatment between CETCS and ILECs, "let's call a spade a spade: this is not technological agnosticism - it is a demonstrable favoring of wireline technology over wireless."[44]

Further, an accelerated phase-down for wireless CETCs is likely to produce a result at odds with the underlying goals of the NBP.[45] The absence of ongoing high-cost funding is likely

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41 Comments of CTIA at 10; Comments of T-Mobile at 10.

42 *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8801 (1997); Comments of RCA at 10; Comments of Sprint at 14; Comments of T-Mobile at 4; Comments of National Cable & Telecommunications Association at 15 ("NCTA").

43 Comments of NCTA at 15. NCTA went on to note that: "It seems clear that the disparity between ILECs and CETCs could have competitive implications as CETCs are forced to deal with more drastic support reductions than their competitors, exacerbating disparities that already exist as a result of the cap on CETC support that was imposed in 2008."

44 Comments of NTCH, Inc. at 6.

45 Comments of CTIA at 7.

to chill wireless carriers' investment in expanding 3G and 4G networks.[46] Existing plans to expand coverage may be scrapped or scaled back while areas currently served may become abandoned.[47] In Alaska, for example, phasing out high-cost support threatens to jeopardize "[w]ireless CETC plan[ned] construction of more than 60 new cell sites throughout Alaska in 2010."[48] As a result of the Commission's proposed plan, rural consumers would be deprived of the reasonably comparable access to services guaranteed by Section 254.[49] Further, since the NBP recognizes that existing wireless networks are the foundation for wider and faster coverage, phasing out CETC support "would have the unintended consequence of compromising the ability of wireless carriers to… deploy[] mobile broadband."[50] It is for these very reasons that the Commission should strive to fully develop the CAF, along with an appropriate transition plan, before CETC funding is phased out.[51]

The Commission should also note that the parties who recommend an accelerated phase-out of CETC support conveniently fail to explain how such a program could be implemented in a manner consistent with the competitive neutrality mandate of the Act. Despite universal recognition that reform efforts can and must be consistent with the Act, no commenters were able to cite statutory support for the facially discriminatory timetable for phasing out high-cost support within the text of the Act. The Commission should adhere to the requirements of the Act

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46 Comments of T-Mobile at 10; Comments of CTIA at 7; Comments of U.S. Cellular at Exhibit 1.

47 Comments of T-Mobile at 10; Comments of Rural Telecommunications Group, Inc. at 16; Comments of RCA at 9 (citing the example of Carolina West Wireless which canceled plans to build eight cell sites in its service area as a result of universal service funding reductions.); Comments of General Communication, Inc. at 22.

48 Comments of Regulatory Commission of Alaska at 12.

49 Comments of T-Mobile at 10.

50 *Id*.

51 Comments of RCA at 10.

and ensure that any transition period be *the same* regardless of technological platforms or competitive status.

Finally, Verizon correctly points out that the Commission cannot simply cut existing high-cost support and "stockpile" those funds for later use.[52] Indeed, "[s]tockpiling universal service funding to be distributed down the road from a mechanism that the Commission anticipates creating, but has not yet established or defined with reasonable particularity, would be inconsistent with… [the statutory restraints of Section 254],"[53] which requires that support be specific, predictable, and sufficient to meet the Act's goals. Simply put, the Commission cannot cut existing support until a replacement mechanism is properly developed and it surely cannot cut existing support in order to stockpile cash to support a hypothetical subsidy program to be determined at some unannounced future date.

III. COMMENTERS AGREE THAT IT IS PREMATURE TO DETERMINE WHETHER RELIANCE UPON A COST MODEL WOULD BE APPROPRIATE

There can be no argument that a great deal of time and effort went into the Commission's construction of the proposed broadband assessment model (the "BAM"). Attempting to quantify and model the diversity of the Nation's geographies, topographies, and population density is a major undertaking. To further layer on representations of the speeds, technological capabilities, and costs of existing and emerging telecommunications and information service technologies is truly "Herculean" task.[54] However, there is widespread agreement among the commenters that the use of any cost model to determine subsidy levels not only poses several serious practical issues, but would be of only limited utility should a competitive market-based distribution

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52 Comments of Verizon and Verizon Wireless at 23.

53 *Id.*

54 Comments of AT&T at 14.

mechanism ultimately be employed.[55] Moreover, the Commission cannot determine whether it would be appropriate to invest the time and resources necessary to develop and maintain a cost model until it determines how the model would be used and whether any alternative distribution mechanisms would obviate the challenges associated with such a model.

A. The BAM Contains Too Many Undefined Variables to Allow For a Reasoned Discussion Of Its Relative Merits

Despite the effort in developing the BAM to its current level, many commenters felt that the proposed model remains insufficiently defined to allow for meaningful comment.[56] Many open questions need to be resolved in order for interested parties to provide helpful responses. Like any other tool, the usefulness of a model is a question that "cannot be answered in the abstract."[57] As AT&T correctly observes, without more information as to how the Commission intends to use the model or what a new support mechanism would look like, the Commission has "jumped the gun" in asking for detailed comment on modeling issues.[58]

However, if the Commission plans to use a cost model as a tool, it needs to ensure that it is built in a manner that is transparent and accessible to all interested parties. Absent a clear understanding of the model's inputs and assumptions it is impossible for parties to provide the Commission with sufficiently precise comments necessary to assist the Commission in building a

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55 Comments of the Missouri Public Service Commission at 2 ("Ultimately a cost model may have limited relevancy if the FCC selects an auction or competitive bid process to determine funding support.").

56 Comments of CenturyLink at 43; Comments of South Dakota Telecommunications Association at 16; Comments of United States Telecom Association at 20; Comments of Pennsylvania Public Utilities Commission at 5 ("The PaPUC also wishes to engage the FCC in a dialogue to develop a better universal service model… Currently, this is not possible because of the lack of transparency regarding the model.") ("PaPUC"); Comments of T-Mobile at 11 ("Until parties are able to study the specific inputs and concrete outputs of a model, it is impossible to predict whether it would assist universal service goals.").

57 Comments of T-Mobile at 11.

58 Comments of AT&T at 3.

better model. If the Commission decides to further pursue the cost model concept, the USA Coalition shares the concerns expressed by several commenters that: (i) the Commission should release the model itself as well as any source code and inputs in order to allow parties to examine the model further;[59] (ii) any model should "estimate[] the costs of all technologies currently being deployed (or soon to be deployed) that are capable of providing voice service and broadband service" which includes wireless network costs;[60] (iii) the model should account for the need for ongoing support in areas that are currently served only because of high-cost support rather than focus solely on "unserved areas,"[61] (iv) the model must account for the cost of spectrum and backhaul, an essential input to wireless service costs;[62] (v) once developed further, the model should be opened up to further testing and review by the parties.[63] Only through full disclosure and an iterative, collaborative testing process can the Commission ensure that the model has been properly reviewed and vetted.[64]

B. Building and Maintaining a Cost Model Would Be Controversial, Costly, and Cause Significant Delay

As many commenters have pointed out, constructing a cost model would require a significant Commission undertaking. According to Verizon, building a cost model would be "controversial, costly, and involve years of delay."[65] Indeed, Verizon believes that:

> [d]isagreements surrounding the model and its use would dominate this proceeding for the foreseeable future because the model would ultimately determine the total amount of support that a provider could receive (and, potentially, the long-term viability of many carriers). In light of the high stakes, the Commission could expect

59 Comments of PaPUC at 5; Comments of T-Mobile at 11.
60 NOI/NPRM at 24-25; *accord* Comments of T-Mobile at 11.
61 Comments of T-Mobile at 11.
62 *Accord* Comments of PaPUC at 6.
63 Comments of MACRUC States at 10 (cost model should be "subject to peer review.").
64 Comments of AT&T at 3; Comments of MACRUC States at 10.
65 Comments of Verizon at 28.

> every aspect of that process - every input, assumption and result - would be disputed, if not litigated.[66]

Moreover, as exemplified by the detailed comments of the Wyoming Public Service Commission, the data used by the BAM to model rural areas does not comport with the facts on the ground.[67] As such, developing the appropriate inputs would require much more specific analysis merely to begin building an accurate model that captures the geographic and demographic diversity of the nation. As if developing the model weren't enough, the model would have to be continually updated to account for rapidly evolving technologies.[68] By the Commission's own admission, previous attempts to develop cost models to set support quickly became obsolete.[69] Given the contentious nature of the potential proceedings, and the difficulty of continually updating a cost model, other alternatives should be explored if they are available.

C. A Cost Model Is of Questionable Utility if Reverse Auctions or other "Market-Based" Distribution Mechanisms Are Implemented

As noted by the Missouri Public Service Commission, a cost model would be also be of questionable utility if an alternative distribution mechanism is used.[70] Under a market-based mechanism, for example, carriers would base their bids on their own cost structures and projected revenues, not on hypothetical cost structures embodied in a model. As such, a model

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66 *Id*; *see also* Comments of AT&T at 9 ("Developing a model that produces accurate outputs likely would take years and, even then, would be subject to challenge by parties that disagree with the model's technology choices, costing approaches, and, of course, inputs. Any ensuing litigation would delay broadband deployment in unserved areas.").

67 Comments of Wyoming Public Service Commission at 23.

68 Comments of Sprint at 5 (recommending a triennial review interval); Comments of T-Mobile at 11.

69 *See* NOI/NPRM, ¶ 7 ("Although the Commission's forward-looking economic cost model used to determine non-rural support was adopted more than a decade ago, it has not been comprehensively updated… Not only are the model inputs out-of-date, but the technology assumed by the model no longer reflects "the least-cost, most-efficient, and reasonable technology for providing the supported services that is currently being deployed.").

70 Comments of the Missouri Public Service Commission at 2.

would do little to inform the individual carrier's internal decision process or by a lender financing such a carrier.[71] On balance, given the limited utility of a cost model, the administrative burden of creating and updating model inputs, and the genuine risk that the use of such a model would distort market forces, the Commission should consider revisiting the cost model concept and focus instead on developing alternative distribution mechanisms.[72]

IV. THE RECORD DEMONSTRATES THAT THE PROPOSED MARKET-BASED DISTRIBUTION MECHANISM WOULD NOT ACHIEVE USF GOALS

The goal of universal affordability of comparable services is frustrated by programs that provide support for only one carrier. Any such proposal would artificially insulate the supported carrier from salutary market forces that would compel the carrier to become more efficient over time and thereby decrease the total amount of support required over the long-term.

Specifically, industry stakeholders shared the USA Coalition's concerns that the Commission's proposed reverse auction mechanism: (i) are inconsistent with the Act;[73] (ii) would recreate a monopoly system that would require significant oversight, raise performance issues, and effectively preclude competition;[74] and (iii) would raise serious subsidiary questions regarding a supported party's ongoing viability.[75] The solution for this is simple and complies with the letter and spirit of the Act: adopt the USA Coalition's distribution mechanism or a

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71 Comments of CoBank, ACB at 5.

72 Comments of T-Mobile at 11 ("Given that these models are enormously complex and take a substantial amount of time to construct, troubleshoot and validate against real market data, they are of limited utility."); a*ccord* Comments of AT&T at 14, n. 35 ("there is no sound policy reason for the Commission to use a model to calculate support to extend broadband infrastructure in unserved areas.").

73 Comments of TCA at 17 ("[A]llocating USF based upon the results of a reverse auction would not comply with the statutory requirement for specific, predictable and sufficient support mechanisms to preserve and advance universal service."); Comments of RCA at 14.

74 Comments of CTIA at 29; Comments of Alaska Communications Systems at 7; Comments of Sprint at 9, n. 13.

75 Comments of NECA at 25.

similar program that is competitively and technologically neutral so that the benefits of choice, innovation, and affordability are offered to all Americans.[76]

A. Single Winner Reverse Auctions Are Plainly Inconsistent With The Act

Allocating universal service funds based upon a single winner reverse auction has serious statutory infirmities.[77] Simply put, any mechanism that precludes competition is the antithesis of the competitive neutrality requirement of the Act and should be rejected.[78] While some parties have argued that reverse auctions are competitively neutral because they are "open to any service provider that can meet certain minimum standards,"[79] competitive neutrality requires more than the ability of multiple parties to *bid for the ability* to compete in a high cost area; it requires a system in which competitors actually compete.[80] As RCA put it: "[w]hile a reverse auction would bring competition within an electronic auction room, it would not have a competitively neutral effect in the marketplace."[81] Since the ultimate effect of a single winner reverse auction would be to establish a monopoly at the expense of a competitive system, such a proposal is impermissible under the plain language of the Act and the Commission's own precedent.

B. Single Winner Reverse Auctions Are Bad Policy

Assuming for the sake of argument that the Commission *could* create a reverse auction mechanism consistent with the requirements of Section 254, there is little reason to believe that adopting such a course of action would constitute a wise policy choice. Several parties have

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76 *Accord* Federal-State Joint Board on Universal Service, *Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission, Declaratory Ruling*, 15 FCC Rcd 15168, 15177 (2000) ("*Western Wireless Order*").

77 Comments of TCA at 17; Comments of RCA at 14.

78 Comments of T-Mobile at 3 ("Competitive neutrality is a statutory requirement.").

79 Comments of Time Warner Cable Inc. at 11.

80 Comments of USA Coalition at 35 ("the proper inquiry is whether the effect of the legal requirement, rather than the method imposed, is competitively neutral.").

81 Comments of RCA at 17.

voiced the concern that the costs associated with monitoring local monopolies, the logistics associated with establishing service parameters, and the risk of deteriorated service would prove far more costly than the Commission is anticipating over the long term than any initial savings a reverse auction might produce.[82] If decades of experience regulating the Bell monopoly system taught the Commission anything, it is that monopoly environments typically require a system of more extensive regulation than competitive systems.[83]

At the outset, since competitive bids would be evaluated primarily on price, the Commission would have to establish a litany of service specifications prior to an auction to ensure that rates, terms, service specifications, and other conditions were sufficiently standardized across competitors in order to engage in an "apples to apples" comparison of the bids.[84] As noted by AT&T, this alone would be "no small undertaking."[85]

Following the bidding, the Commission would have to continually monitor and enforce the conditions upon which a monopoly subsidy was granted.[86] Commenting parties agree that a low-bid approach to awarding subsidies would likely result in a "race to the bottom" in terms of service quality and ongoing investment,[87] requiring the Commission would need to continually administer and enforce all service quality commitments made by the monopolist at the bid stage,

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82 Comments of NECA at 25 ("In addition to monitoring, the Commission would also be required to handle enforcement-compelling non-compliant providers to make the necessary adjustments in order to adhere to the terms of their winning bid.").

83 Comments of CTIA at 29.

84 These conditions would effectively usher in a new era of rate regulation, since the Commission would need to be assured that the monopolist did not engage in unreasonable pricing activities. Yet, as noted by RCA, such price regulation of mobile providers is prohibited by federal statute. *See also* Comments of Alaska Communications Systems at 7.

85 Comments of AT&T at 9.

86 Comments of Texas Statewide Telephone Cooperative at 18; Comments of NECA at 23.

87 Comments of NECA at 23; Comments of Texas Statewide Telephone Cooperative at 18; Comments of TCA at 16; Comments of National Tribal Telecommunications Association at 26.

a duty that would require significant resources.[88] Further, the low bidder would have little incentive to improve service quality over the minimum mandated standard, since to do so would come at increased costs.[89] Unsupported competitors would be unlikely to spur the incumbent to improve services, since "the winner of the first auction can afford to bid lower than its rivals [in subsequent auctions], because some significant portion of its cost of providing service has been [previously] subsidized."[90] As a result, reverse auctions would actually inhibit the deployment of increasingly higher speed broadband in high-cost areas.[91]

As pointed out by NECA, the incentives of a low-bid auction could also result in a "winner's curse" for those parties who ultimately prevailed at auction.[92] In economic theory, a "winner's curse" is associated with auctions wherein the bidding parties possess imperfect information. Under this theory, the winning bidder of an auction is the party with the most optimistic valuation of the target asset, a perspective that may not be justified by the facts. In this instance, having either underestimated the costs of providing service, the potential revenues to be gained, or both, a winning bidder in a reverse auction is likely to experience tightened (or disappearing) margins that may lead to higher rates for customers, diminished service quality, or, in the worst instance, the failure of the supported monopolist.[93]

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88 Comments of NECA at 25.

89 Comments of Utah Rural Telecom Association at 4 ("reverse auctions simply reverse investment incentives.").

90 Comments of Sprint at 9, n. 13.

91 *Id.* at 4.

92 Comments of NECA at 23.

93 *See* Comments of NECA at 25. Query whether a provider, knowing that the Commission and local State PUC would be unlikely to allow the sole supported provider in the area to fail, would essentially be given an implicit guarantee of additional subsidies should the provider display a genuine risk of failure. In that instance, it is surely possible that the implicit guarantee would act as an incentive to bid even more aggressively at auction in order to win the subsidy.

Indeed, these issues raise the very same concerns raised by Commissioner Copps at the outset of this proceeding and remain an unaddressed problem with the Commission's reform proposal. As noted by several commenters, Commissioner Copps has serious questions about the use of reverse auctions.[94] Indeed, in his remarks addressing the *Notice of Inquiry*, Commissioner Copps warned:

> [T]he NOI places a strong emphasis on the use of reverse auctions. When I supported the previous Commission's decision to seek comment on the merits of reverse auctions for distributing universal service support, I cautioned that the prospect of using such a mechanism raised many questions that still remain unanswered. For instance, how do we ensure that the winning bidder provides the services for which support is received: What happens if the auction winner decides to discontinue its operations in the supported area? Who will pick up the pieces and how will that be decided? What will be the rules of the road and how will they be established? And enforced?[95]

Finally, the pricing power enjoyed by a reverse auction winner, explored in detail in the USA Coalition's initial filing, will allow the winning carrier to price out competition while still capturing the subsidy.[96] Providing support to a single carrier would give that carrier a substantial, even insurmountable, competitive advantage, thereby discouraging competitive entry and expansion and denying consumers in those areas the benefits of competition.

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94 Comments of Missouri Small Telephone Company Group at 9; Comments of Texas Statewide Telephone Cooperative, Inc. at 17.

95 Statement of Commissioner Michael J. Copps, *Re*: *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.

96 Comments of USA Coalition at 36-37; *accord* Comments of Alaska Communications Systems at 7 (winning bidder "may be willing to serve a market at a loss with the intent of recovering losses via future support funding and, where necessary, via monopoly pricing.").

C. The Commission Should Consider the USA Coalition's Proposal In Lieu of Reverse Auctions or Other Market-Based Distribution Mechanisms

If the Commission adopts a competitively neutral distribution mechanism, pricing gamesmanship would disappear in the face of the realistic threat of competitive entry.[97] If competitive support was made available, the mere threat of entry would give the dominant carrier the incentive to offer competitive pricing, service options, and continue to deliver services that consumers want and need.[98] As the Act recognizes, it is competition, not regulation, that propels affordability and innovation. The USA Coalition and others have provided the Commission with alternative proposals that obviate the need to rely on either a controversial cost model or anti-competitive reverse auctions. The USA Coalition's proposal reflects both the letter and spirit of the Act and would provide consumers with the competitive service options that they have shown an overwhelming demand for.[99] Instead of blindly proceeding in a results-oriented fashion towards a pre-determined destination, the Commission should consider a full range of alternative proposals, including particularly the proposal of the USA Coalition, and develop a distribution mechanism that attacks the underlying obstacles to deploying broadband instead of setting arbitrary, bright-line distinctions between services and speeds.

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97 Comments of USA Coalition at 40.

98 As noted by Hughes Network Systems, LLC at 14, the Commission has recognized that even the *threat* of intermodal competition stimulates broadband deployment.

99 For example, a study by the Center for Disease Control determined that 24.5% of adults lived in wireless-only households as of December 2009, an figure that has nearly doubled since December 2007. In addition, as of the date of the study, one of every seven American homes (14.9%) had a landline yet received all or almost all calls on wireless telephones. Stephen J. Blumberg and Julian V. Luke, *Wireless Substitution: Early Release Estimates from the National Health Interview Survey, July-December 2009*, Center for Disease Control (rel. May 12, 2010) *available at* http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201005.pdf. ("*Wireless Substitution Study*").

V. AS CURRENTLY PROPOSED, THE MOBILITY FUND WILL NOT ACHIEVE THE UNIVERSAL SERVICE GOALS MANDATED BY THE ACT

Under the *NBP*, the Commission would create a "Mobility Fund" to provide one-time support to bring all states to a minimum level of 3G or better mobile service availability.[100] Presumably the Mobility Fund would speed the build-out of the Nation's 3G network, and allow wireless carriers to compete for universal service support under the Commission's proposed "market-based" mechanism. However, without a guarantee that a carrier will receive ongoing support, there would be no incentive for a carrier to participate in the build-out process or continue to service these areas.[101] Indeed, a wireless carrier who relies upon the Mobility Fund to build out a 3G network in an unserved area in hopes of winning the bid and becoming the sole recipient of funding from the CAF would be in serious trouble if it did not actually win.

As noted by many of the wireless carriers, the NBP does not calculate either the cost of deploying 3G mobile broadband coverage or the incremental cost of upgrading 3G facilities to 4G broadband.[102] These costs include not only upgrades to equipment but also increased ongoing backhaul costs resulting from additional capacity and throughput.[103] As a result, simply to meet the requirements to compete for a broadband subsidy, a wireless carrier would need to expend substantial sums up-front and potentially significant operational expenses without any guarantee that they will be the winning bidder in an auction for ongoing support. Realistic investment decisions simply cannot be made under such uncertainty.

3G and 4G networks would be available in these "unserved" areas if there existed a sufficient business case to build out such a network. This helps to explain the Commission's

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100 NOI/NPRM, ¶ 7; NBP at 146.
101 Comments of CTIA at 25.
102 Comments of Sprint Nextel at 6, n.7; Comments of CTIA at 25.
103 Comments of CTIA at 25.

finding in its Fourteenth Mobile Wireless Competition Report that even "[w]ith wireless market penetration approaching 90 percent as of the end of 2008, overall wireless industry growth has slowed down."[104] The reason for this is no mystery, since "[a]s networks penetrate deeper into rural America, the standalone profitability of wireless operations only becomes more challenging."[105] Simply put, in order to provide universal wireless penetration, there needs to be a sufficient subscriber base over which to defray both fixed and variable costs.[106] Absent sufficient density, support is required.

Under the current mechanism, both ongoing expenses and capital expenditures are subsidized. As a result, CETCs can invest in their networks in high-cost areas with the confidence that their networks would continue to receive sufficient subsidies to defray the expected costs associated with providing service in that particular area. As noted by one major wireless carrier: "U.S. Cellular can state unequivocally that it is already operating scores of cell sites that would not have been constructed but for the availability of high-cost support."[107] The Commission's proposal is likely to similarly chill future investment.

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104 Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Mobile Wireless, including Commercial Mobile Services, *Fourteenth Report*, WT Docket No. 09-66, FCC 10-81 at 8, 101.

105 Comments of RCA at 9.

106 To a lesser extent this is also true of wireline carriers. *See, e.g*. Comments of CenturyLink at 27 ("The cost of providing broadband and voice services is also a function of ongoing OPEX, such as maintenance, repair, customer service, etc., and a large portion of these costs are elevated and fixed in rural regions.").

107 Comments of US Cellular at 25; *accord* Comments of T-Mobile at 12 ("Thus, to the extent that the Commission uses a model as part of a future broadband-focused support mechanism, that model should be capable of determining all areas where support is necessary – including areas only served today because of existing support flows"); Comments of RCA at 9 (Wireless carriers "are already operating a number of cell sites that would not have been constructed, and could not continue operating profitably, but for the availability of high-cost support."); Comments of General Communication, Inc. at 20.

The Commission must consider also what will happen once ongoing operating expense support is removed for the wireless carriers. Without the guarantee of support, many wireless carriers will be unable to continue operating in these high-cost areas.[108] Under the same logic, carriers would have little incentive to participate in the Mobility Fund in the first place. For those parties that do participate, the absence of ongoing support in low density areas raises serious questions about the long-term viability of these assets.[109] Of course, should the Commission develop an alternative distribution mechanism that recognizes the ongoing operating expense needs of the wireless carriers, these concerns would be mooted. However, under the current single-winner proposal, it is unlikely that the Mobility Fund will deliver the promise of 4G networks to rural and insular America.

VI. THE ATTEMPT BY SOME PARTIES TO LINK ELIGIBILITY FOR SUPPORT TO WIRELINE COLR OBLIGATIONS IS A RED HERRING

Much has been made by certain carriers of the benefits of Carrier of Last Resort ("COLR") obligations in the first round of comments.[110] These carriers argue that wireline carriers with COLR obligations justify higher levels of support than CETCs, because the COLR obligation includes the state-law-based statutory duty to provide service to all requesting carriers throughout a designated service area. However, as noted by AT&T, this argument fails to recognize that the Commission may condition universal service support upon meeting similar requirements as the state caller of last resort statutes.[111] Indeed, Section 214(e) of the Act provides the Commission or the relevant State commission the express authority to require a

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108 RCA points to the example of Carolina West which canceled plans to build eight cell sites in its service area as a result of universal service funding reductions. *See C*omments of RCA at 9.

109 Comments of NECA at 14.

110 Comments of Farmers Telecommunications Cooperative, Inc. at 8; Comments of the Border Companies at 14.

111 Comments of AT&T at 14.

CETC to provide service to unserved areas.[112] As such, all ETCs have an obligation to serve subscribers throughout their service area. Therefore, COLR obligations fail to provide an independent basis for supporting one type of carrier or technology over another.

VII. HISTORY SHOWS THAT ENABLING COMPETITION, NOT ISSUING MANDATES, WILL BRING UNIVERSAL BROADBAND TO AMERICA

When considering the arguments presented and the appropriate path forward in this debate, the Commission should bear in mind the maxim that a "page of history is worth a volume of logic" and consider the regulatory environment that acted as a catalyst to building out the first widespread broadband networks in this country. Digital Subscriber Line technology ("DSL") was invented in the 1980s at Bellcore, one of the Regional Bell Operating Companies, allowing telecommunications firms to deliver high-speed broadband connections through standard copper wires. While relatively inexpensive DSL technology had been available to communications carriers for years, large telecommunications firms resisted deploying broadband due to concerns that DSL would cannibalize the profits generated by dedicated T-1 lines.[113] However, it was only with the advent of intermodal competition with cable modem technology in the mid-1990s, along with the realization that cable modem technology was poised to overtake the telecommunications firms in the broadband market, that DSL technology was rolled out in earnest.

The passage of the 1996 Act unleashed another wave of competition in the broadband market, this time from the CLECs, who were able to offer their own, competitive DSL services. The result has been a virtuous cycle of competition, whereby greater and greater broadband

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112 47 U.S.C. § 214(e)(3).

113 *See* Congressional Research Service, *Telecommunications Act: Competition, Innovation, and Reform*, Library of Congress (2006) at 18.

speeds are offered by both information and telecommunications service providers across a wider and wider coverage area in response to growing consumer demand for data-intensive applications and services. Simply put, competition created ubiquitous, affordable broadband.

The Commission recognized this fact at the time, stating in 1999 that "the FCC's regulatory restraint with respect to information services has significantly facilitated the explosive growth of the Internet,"[114] that "different companies are using different technologies to bring broadband to residential consumers,"[115] and that "multiple methods of increasing bandwidth are or soon will be made available to a broad range of customers."[116] As a result, the Commission said that it would closely monitor broadband developments, and take action to reduce any "barriers to competition" that developed in the future.[117] The Commission should heed the lessons of its own past experience and *enable* competition in the remaining unserved areas, rather than revert to disproven, inefficient monopoly systems. Over time, competition will bring the American people what they want and need better than even a well-constructed command approach.

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114 Federal Communications Commission, *Report*: *FCC Issues Report on the Deployment of Advanced Telecommunications Capability to All Americans*, CC Docket No. 98-146 (rel. Jan. 28, 1999).

115 *Id.*

116 *Id*.

117 *Id*.

CONCLUSION

The USA Coalition urges the Commission to consider the thoughtful comments offered by all industry stakeholders on a fair and even-handed basis. By taking into account the comments and concerns expressed by the parties, the Commission can develop a rational and sustainable universal service reform that operates on an competitively and technologically neutral basis. In so doing, the Commission can ensure that all Americans have access to reasonably comparable telecommunications and information services at reasonably comparable rates. These reforms will ensure that all Americans will share in the benefits of the broadband revolution, regardless of where they live and work.

Respectfully submitted,

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