BEFORE THE

Federal Communications Commission

WASHINGTON, D.C.

In the matter of:	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

REPLY COMMENTS OF LAURENCE BRETT ("BRETT") GLASS, d/b/a LARIAT, A WIRELESS INTERNET SERVICE PROVIDER SERVING ALBANY COUNTY, WYOMING

Laurence Brett ("Brett") Glass, a sole proprietor doing business as LARIAT, a wireless Internet service provider serving Albany County, Wyoming, responds to comments filed regarding the above captioned matters [1] with the following comments.

LARIAT was the first of the many wireless Internet service providers (WISPs) now doing business within the continental United States. LARIAT has been providing high quality, high speed broadband Internet service to a large and growing service area in rural Wyoming for more than 19 years, and has

---

[1] In re *Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Lifeline and Link-Up*, WC Docket No. 03-109; Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011) (NPRM).

developed technologies and business models which afford it the lowest last mile deployment cost, per square mile, of any form of terrestrial broadband. Since its inception, LARIAT has continued to deploy broadband to unserved areas without Federal subsidy of any kind. [2]

It is LARIAT's opinion that no system of Federal subsidies would stimulate broadband deployment more than certain other actions – including special access reform, increased availability of licensed and "lightly" licensed spectrum to small and rural carriers, relaxation of Part 15 restrictions on unlicensed spectrum for rural broadband providers, pre-emption of arbitrary local restrictions on tower and antenna siting, and "dig once" requirements that would reduce the cost of backhaul and middle mile infrastructure deployment. Were such measures (most of which are within the scope of the Commission's current authority and none of which entail government expenditures) implemented, the USF – originally adopted to replace internal cross-subsidies in the monopoly Bell System and hence a relic of a bygone era – might well need no replacement. However, should government desire to provide subsidies to stimulate broadband deployment and adoption, or assist consumers in high cost areas or in conditions of hardship, such subsidy programs should be designed for the future, not to preserve the past. And they should be tailored for broadband... not targeted toward the preservation of outdated business models or companies which rely upon them.

BROADBAND SUBSIDY PROGRAMS MUST BE CONSUMER-CENTRIC, NOT CARRIER-CENTRIC

Any and all broadband subsidy programs undertaken by the Commission must be targeted to provide the maximum benefit to consumers. Therefore, as noted in the Commission's own National Broadband Plan, they should be designed to promote competition, rather than "locking in" a single monopoly carrier. [3] They must not favor incumbents, either explicitly or implicitly, and must – wherever

---

[2] See FCC National Broadband Plan Workshop, *Deployment: Unserved/Underserved*, August 12, 2009; Slides and video available at http://broadband.gov/ws_deployment_unserved.html

[3] "Competition is crucial for promoting consumer welfare and spurring innovation and investment in broadband access networks. Competition provides consumers the benefits of choice, better service and lower prices."

possible – leave the choice of winners and losers to consumers and markets, rather than to government entities. Neither the Commission nor state regulatory commissions should be permitted to exclude a provider from eligibility to provide subsidized service due to the size of the provider's company or its coverage area. (Many of the most esteemed providers, including but not limited to rural WISPs, are small businesses and/or have more limited coverage than an ILEC.) Nor should an incumbent whose territory overlaps or encompasses that of a smaller provider be granted any type of "right of first refusal" over competitive providers or new entrants. [4] Because of the vast influence exerted by incumbent local exchange carriers and cable carriers upon state legislatures, the Commission should delegate only specific responsibilities to state regulatory commissions, and do so in a way that ensures that political machinations at the state level cannot be used to unduly advantage one carrier over another, or large ones over small ones.

ONLY VOUCHER-BASED DISTRIBUTION OF SUBSIDIES CAN TRULY ENSURE MAXIMUM CONSUMER CHOICE AND BENEFIT AND THE BEST USE OF TAXPAYER MONEY

In the NPRM, the Commission invites comment on the use of "winner take all" reverse auctions as a means of distributing broadband subsidies. LARIAT is unequivocally opposed to such a method for the following reasons. Firstly, the largest carriers will have a strong incentive to place low, pre-emptive bids so as to exclude competition from their "turf." Secondly, they would have the result of dictating to consumers which carrier they *will* use, rather than offering them a say in who will serve them – the antithesis of consumer choice. Thirdly, these one-time decisions would create what amounts to government-created

---

Connecting America: The National Broadband Plan, FCC (March 16, 2010), available at http://download.broadband.gov/plan/national-broadband-plan.pdf (Broadband Plan), at 36.

[4] Reply Comments of AT&T, Inc., *Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Lifeline and Link-Up*, WC Docket No. 03-109; filed May 23, 2011, available at http://fjallfoss.fcc.gov/ecfs/document/view?id=7021649953 (AT&T Reply Comments) at 68.

monopolies which competitors would find it difficult to challenge. Both consumers and the taxpayers who subsidize them would ultimately get less for their money as these carriers, aware of their monopoly position, exploit it to provide the bare minimum to consumers rather than being forced, by competition, to do better.

The use of vouchers, by contrast, would provide subsidies to consumers who needed them while preserving the dynamics of a competitive consumer broadband marketplace. Consumers receiving the vouchers could shop them around to multiple providers, seeking the best deal. They could also choose providers based on their own subjective criteria – including such factors as the responsiveness of the provider, quality of technical support, the cost of required equipment, suitability of the relevant technology to their needs (some might find the latency of satellite acceptable, for example, while others would not) and the selection of available rate plans – which the Commission simply could not weigh in every instance. Vouchers would also obviate the otherwise intractable problem of determining the regions upon which carriers in a "winner take all" auction would or could bid. And, if allowed to increase in value over time, they would eliminate the need for a "carrier of last resort," serving as a tempting (and, ultimately, irresistible) carrot rather than a stick.

In a voucher-based program, consumers would be issued three types of vouchers: a voucher to subsdize initial deployment ("deployment voucher"), a voucher to subsidize high recurring costs ("high cost voucher"), and – in cases of hardship – one to provide an extra subsidy to the needy ("lifeline voucher"). The deployment voucher, which would be issued to unserved consumers, would have an initially low value, roughly equal to the cost of accepting and processing it (perhaps $5 or $10). The value of the voucher would increase gradually over time (e.g., by the original value every two weeks) until a carrier was willing to accept it. The carrier would then be obliged to provide service within a reasonable amount of time. The high cost voucher would likewise start at a low level and gradually increase until it was accepted, but would provide a recurring subsidy that would endure for the duration of the user's subscription. A lifeline voucher would provide a fixed, recurring credit for consumers facing financial hardship. A competitor entering the area could compete for the proceeds of the latter two varieties of vouchers (but not the first) by offering superior services that would encourage the consumer to switch.

In summary, a properly designed voucher program would maximize consumer choice, benefit, and satisfaction while preserving competition. It would also relieve the Commission of the unhappy burden of attempting to carve up turf (and justifying the way in which it did so) and then selecting a single, monopoly provider to serve each patch.

ACTION ON SPECIAL ACCESS PRICING IS A PREREQUISITE TO ANY AWARD PROCESS, VOUCHER-BASED OR OTHERWISE

Regardless of the method used by the Commission to award subsidies, the Commission must first take action to stop the anticompetitive pricing of the Special Access lines which link broadband providers, especially in rural areas, to the Internet. [5] The Commission's failure to act on this matter to date – despite the age of the docket and the high priority placed on this matter in the National Broadband Plan [6] -- has hindered broadband deployment and raised the cost of broadband service in rural areas, exacerbating the very problems which the CAF would purport to solve. What's more, future failure to act would taint any competitive process by allowing incumbent local exchange carriers – whose essential transport facilities were, ironically, constructed with USF subsidies – to control the prices that competitors can offer. It would thus "game" the process. It would also cost taxpayers money by artificially inflating the prices offered by all carriers, requiring unnecessarily higher subsidies to make broadband affordable. For all of these reasons, prompt action should be taken on the matter of Special Access prior to any Commission action on the present NPRM.

---

[5] See, for example, Amended Reply Comments of Laurence Brett Glass, d/b/a LARIAT, *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25; *AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, RM-10593; filed February 25, 2010; available at http://fjallfoss.fcc.gov/ecfs/document/view?id=7020391050 (LARIAT Special Access Reply Comments).

[6] Broadband Plan at 36, 48 *passim*.

INTERCARRIER COMPENSATION SHOULD MIGRATE TO "BILL AND KEEP" TO PREVENT MARKET ANOMALIES

While the notion of intercarrier compensation at the state and Federal levels made sense in the days of old-fashioned telephony, the rise of the Internet, with its "bill and keep" model, has rendered it obsolete. To attempt to maintain two models of compensation in the presence of substitutable services (Internet service is readily substitutable for ordinary telephone service due to the availability of VoIP) is to create endless opportunities for exploitation and arbitrage. The Commission must therefore spur a migration, with all due speed, to a "bill and keep" model in all modes of data communications and telecommunications.

CONCLUSION

As mentioned at the outset, the Commission could do much to encourage broadband deployment and adoption, without any need to tax consumers, simply by removing unnecessary barriers to broadband competition. However, if subsidy programs such as the USF/CAF are found to be desirable by Congress and by the Commission, they must put consumers – not the carriers which are so effective at lobbying government – first. They must encourage competition, maximize consumer choice and flexibility, and obtain the most "bang for the buck" from the funds which are painfully extracted from taxpayers on every monthly bill. As one of the strongest advocates and longest practitioners of rural broadband deployment, LARIAT believes that the above recommendations are key to achieving these goals as well as the goals of the Commission's own National Broadband Plan.

Respectfully submitted,

Laurence Brett ("Brett") Glass, d/b/a LARIAT
PO Box 383
Laramie, WY 82073-0383