



November 12, 2013

The Honorable Thomas E. Wheeler
Chairman
Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

Dear Chairman Wheeler:

Congratulations as you assume leadership of the Federal Communications Commission. Your deep and diverse experience will be invaluable in addressing the challenges and opportunities before a rapidly evolving industry. As a representative of nearly 900 full-service rural network operators, NTCA–The Rural Broadband Association looks forward to working with you, and we hope that you will see the entrepreneurial, consumer-focused small businesses within NTCA’s membership as essential to achievement of our nation’s shared communications goals.

NTCA’s rural carriers embody universal service. They serve the most rural areas of America, sparsely-populated regions that but for the concept of universal service and their ongoing hard work would have been left behind years ago. For these small entrepreneurs to help fulfill our nation’s broadband vision, several targeted but essential policy initiatives are needed in the near future.

Promoting and Sustaining the Ongoing IP Evolution

The ongoing transition to Internet Protocol (IP) technology will be a major focus for the Commission. NTCA’s rural carrier membership has taken a lead in this transition. Our members have made substantial strides in deploying broadband-capable networks and softswitching technology, seeking to ensure that their consumers—for whom distance is a real challenge—can participate meaningfully in an online world. Moreover, NTCA late last year submitted an “IP Evolution” petition, seeking a thoughtful consideration of policy paths by which to promote and sustain an orderly evolution. In particular, NTCA observed the need to avoid clinging as a matter of routine or comfort to old rules in the face of changes in technology, competition, and consumer preference—although we also urged adherence to core statutory objectives of protecting consumers, promoting competition, and ensuring universal service even as the evolution continues.

NTCA’s petition also highlighted the importance of clear “rules of the road.” For example, as you know, problems with calls failing to complete have been a source of frustration for rural consumers. Although the Commission has taken steps to help get to the bottom of this issue, the very existence of these problems highlights the need for targeted regulation to protect consumer expectations and promote universal service. Put another way, the rural call completion epidemic represents a “canary in a coal mine,” showing the risks that can arise in the absence of clear “rules of the road.”

Finally, NTCA's IP Evolution petition recommended specific steps to promote and sustain the technological evolution. Of particular importance for the achievement of universal service in an IP-evolved world is the establishment of a Connect America Fund (CAF) for areas served by small rural local exchange carriers (RLECs). Although the Commission established a CAF for larger providers in 2011, it did not update the rules governing Universal Service Fund (USF) support for RLECs. As a result, a consumer in a high-cost area served by an RLEC today cannot obtain affordable broadband service without also purchasing "plain old telephone service" (POTS). This result defies evolving consumer preferences and flies in the face of the clear purpose of the 2011 USF reforms. Providing support for networks used to provide broadband even where the consumer declines to take POTS would promote and accelerate the ongoing IP evolution, facilitate consumer choice and competition in voice services, and update the USF program to the benefit of *all* rural Americans.

Creating Regulatory Certainty

In addition to the lingering need to update USF rules for a broadband era, our nation's broadband vision has been frustrated by persistent regulatory uncertainty in the wake of the 2011 USF reform order. Rural broadband deployment has stalled due to concerns about the volatility of quantile regression analysis (QRA)-based caps on high-cost USF support and the potential threat of more cuts, caps, and constraints to come via the Further Notice of Proposed Rulemaking attached to the 2011 USF reform order. As we reported to the Commission earlier this year, nearly 70 percent of NTCA members reported in a survey that they have postponed or cancelled investments in broadband-capable networks due specifically to regulatory uncertainty.

Finding a new system that achieves the Commission's reform objectives but also provides transparency, accuracy, predictability, and methodological integrity is essential to restart broadband investment. We hope to work with you and your staff to bring ongoing discussions regarding these QRA-based caps to fruition. We are also hopeful that the Commission will take informed stock of the effects of the 2011 reforms before racing ahead with additional cuts, caps, and constraints on support; we have already seen a record-setting decline in access to and demand for capital in the wake of that order, and it is important that the Commission restore market confidence in the predictability and sufficiency of its universal service mechanisms consistent with statutory mandates.

E-Rate Modernization

NTCA members also look forward to working with you to modernize the E-Rate program and ensure that every school and library has affordable access to sufficient broadband. In fact, precisely because they are community-focused operators based in the towns and countryside they serve, RLECs have already made tremendous progress in delivering high-capacity broadband connections to schools and libraries. Indeed, a recent survey of NTCA members revealed that 75 percent of schools in their serving areas are already connected by fiber to the premises, and the average speed made available to schools by all respondents is 912 Mbps—nearly a Gig.

There are, of course, improvements to be made to facilities in certain instances—and even in the case where an existing high-capacity, broadband-capable network is available to a school or library, affordability is almost always going to be a concern in high-cost rural areas. Thus, this modernization initiative ultimately will not be a success unless the services offered to and obtained by schools and libraries are sustainable. That is, it is not enough that broadband-capable networks merely "get

there,” but the networks must “stay there”—the services obtained must remain both affordable and high-quality. This requires a carefully planned and coordinated approach that leverages other federal programs, public-private partnerships, and private investments to reach as many institutions as possible. NTCA looks forward to enhancing the success of the E-Rate program by leveraging the many network assets already in place and enabling valuable resources to go as far as possible in connecting—and keeping connected—schools and libraries across the country.

Wireless and Video Issues for Smaller Providers

As full-service communications providers, many NTCA members—approximately 60 percent according to a recent survey—have done a tremendous job of providing high-quality fixed and/or mobile wireless services to their rural service areas. But they are small businesses serving low-density areas often neglected by national or regional providers understandably more interested in serving larger addressable markets. The Commission can bolster the availability of advanced wireless services in rural areas—and the competitiveness of wireless markets generally—by auctioning limited and valuable spectrum on the basis of smaller geographic areas. The upcoming 600 MHz auctions present the opportunity for the Commission to make advanced wireless services more widely available by licensing spectrum on the basis of Cellular Market Areas that ensure rural consumers are not the “forgotten ones” as carriers choose where to build out and use that spectrum.

Similarly, many RLECs—nearly 80 percent of NTCA members—have responded to consumer demand through the provision of video services over multiple platforms, including IPTV and traditional cable services. The Commission has long recognized that these services represent more than entertainment, as the ability to offer affordable video services with compelling content is intrinsically linked to broadband adoption. NTCA therefore hopes that the Commission will soon undertake action to reform outdated video access rules, particularly the retransmission consent regime that drives up rates and impedes consumer choice.

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As you stated before the United States Senate Committee on Commerce, Science, and Transportation in June, “Universal Service is a key tenet of the Telecommunications Act; we did this for electricity and basic telephone service, we can do it for broadband.” NTCA members could not agree more, and they are leaving no stone unturned in looking to deliver on this mission statement. We look forward to working with you and the entire Commission to ensure that universal service remains a pillar upon which the IP evolution is built and sustained.

Sincerely,



Shirley Bloomfield
Chief Executive Officer
NTCA–The Rural Broadband Association