

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
Universal Service Reform – Mobility Fund)	WT Docket No. 10-208
)	

To: Wireline and Wireless Telecommunications Bureaus

COMMENTS OF
RURAL WIRELESS ASSOCIATION, INC.

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Date: August 8, 2014

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Summary

The Federal Communications Commission has proposed a number of new and amended rules to implement the transition from legacy, high-cost universal service support to Mobility Fund Phase II as the replacement mechanism. The Rural Wireless Association comments on a number of ways that the Commission could ensure that ongoing support for mobile wireless services remain targeted where most needed—*i.e.*, to those small, rural and regional carriers that actually serve consumers in rural and remote areas and that rely on federal support to do so. In light of the Commission’s numerous various proposals relating to phase-down support and Mobility Fund Phase II, RWA encourages the Commission to maintain the halt of phase-down support until Mobility Fund Phase II is fully implemented and operational at 50 percent disbursement of Mobility Fund phase II support rather than at the onset.

Regarding Mobility Fund Phase II itself, the Commission should restrict eligibility to only those small, rural and regional carriers that need such support and not to nationwide carriers that can afford to bankroll rural deployments if they so choose. RWA also urges the Commission to preserve the requirement only designated ETCs to safeguard the public interest protections that are built into the designation process. In light of the Commission’s proposal to restrict eligible areas to areas where neither Verizon nor AT&T provides 4G LTE service, RWA urges the Commission to clarify its eligibility criteria, allow partially covered areas to remain eligible, and provide an extensive challenge process. The Commission should also incorporate flexible measures into the proposed performance and coverage requirements to reflect the nature of rural mobile deployments. Finally, RWA encourages the Commission to provide additional flexibility to the processes relating to the timing of disbursements and the letter of credit requirement.

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The Rural Wireless Association, Inc. (“RWA”),¹ by its attorneys, hereby submits its comments in response to the Federal Communications Commission’s (“FCC” or “Commission”) *USF/CAF Omnibus Order and Further Notice of Proposed Rulemaking* (“FNPRM”) issued in the above captioned proceedings.² In particular, RWA provides comment on the portions of FNPRM that pertain to the proposed amendments to the Commission’s rules regarding phase-down support and the proposed new Mobility Fund Phase II rules.

I. THE HALT OF PHASE-DOWN SUPPORT SHOULD BE MAINTAINED UNTIL 50 PERCENT OF AUTHORIZED MOBILITY FUND PHASE II FUNDS HAVE BEEN DISBURSED.

Section 254(b)(5) of the Communications Act of 1934, as amended (“Act”), requires the Commission to ensure that it has in place “specific, predictable, and sufficient Federal...

¹ RWA is a Section 501(c)(6) trade association dedicated to promoting wireless opportunities for rural wireless companies who serve rural consumers and consumers traveling to rural America. RWA’s members are small businesses serving or seeking to serve secondary, tertiary, and rural markets. RWA’s members are comprised of both independent wireless carriers and wireless carriers that are affiliated with rural telephone companies. Each of RWA’s members serves fewer than 100,000 subscribers.

² See *Connect America Fund et al.*, WC Docket No. 10-90 WC Docket No. 10-90; GN Docket No. 09-51; GN Docket No. 09-51, WC Docket No. 07-135; WC Docket No. 05-337; CC Docket No. 01-92; CC Docket No. 96-45; WC Docket No. 03-109; WT Docket No. 10-208, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (rel. June 10, 2014) (“*USF/CAF Omnibus Order and Further Notice of Proposed Rulemaking*”).

mechanisms to preserve and advance universal service.”³ Competitive Eligible Telecommunications Carriers (“ETCs”) need predictability to formulate the business decisions that allow them to continue providing services or deploy new services to high-cost areas. In 2011 the Commission anticipated this need for specific, predictable, and sufficient support by adopting a stopgap measure to temporarily halt the phase-down at 60 percent of the baseline “[i]n the event that the implementation of Mobility Fund Phase II has not occurred by June 30, 2014.”⁴ Indeed, June 30, 2014 has passed and Mobility Fund Phase II is not yet implemented or operational nor will it be implemented or operation in the near future as the Commission proposed new rules for Mobility Fund Phase II.

The Commission’s current proposed rule to implement the phase-down halt for wireless competitive ETCs does not provide competitive ETCs with sufficient predictability. Under the new proposal, the Commission proposes to maintain existing support levels (*i.e.*, 60 percent of baseline support) until (1) the first month after the month in which its Mobility Fund Phase II ongoing support is authorized in the case of a winning bidder of such Mobility Fund Phase II support, or (2) the first month after the month in which a public notice announces winning bidders for Mobility Fund Phase II ongoing support in the case of a competitive ETC that is not a winning bidder of such Mobility Fund Phase II support. For competitive ETCs serving remote

³ 47 U.S.C. § 254(b)(5).

⁴ 47 C.F.R. § 54.307(e)(5). *See also Connect America Fund et al.*, WC Docket No. 10-90 WC Docket No. 10-90; GN Docket No. 09-51; GN Docket No. 09-51, WC Docket No. 07-135; WC Docket No. 05-337; CC Docket No. 01-92; CC Docket No. 96-45; WC Docket No. 03-109; WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, ¶519 (Nov. 18, 2011) (“*USF/ICC Transformation Order*”) (“If the Mobility Fund Phase II is not operational by June 30, 2014, we will halt the phase-down of support until it is operational”).

areas in Alaska (and whose support is subject to a delayed phase-down), the Commission proposes a separate and potentially lengthier phase-down halt.⁵

Competitive ETCs seeking Mobility Fund Phase II support will invest significant time, effort and resources to apply for and participate in the reverse auction with the expectation that their bids will result in long-term support for ongoing and expanded wireless services. Upon the release of a public notice announcing winning bidders for Mobility Fund Phase II, any competitive ETC currently receiving funds that fails to become a winning bidder will not only need to revert abruptly to subsisting on reduced support without the prospect of additional long-term funding, but almost immediately thereafter rely on *further reduced* support at 40 percent of the baseline. The results of the Mobility Fund Phase II auction will have a lasting impact on the rural wireless landscape, and carriers will need time to adapt their business plans around the specific and predictable sources of available funds.

The Commission's proposed duration of the phase-down would be cut off essentially at the onset of Mobility Fund Phase II before any funds have been disbursed and before any progress has been made towards network deployments. At this delicate stage of Mobility Fund Phase II, carriers are still subject to auction and performance defaults. Phase II can hardly be considered to be "operational" or "implemented" simply because winning bidders or initial authorizations have been announced and nothing yet disbursed. Rather, a significant portion of

⁵ For competitive ETCs serving remote areas in Alaska, the Commission proposes to maintain the baseline frozen support for each competitive ETC until (1) the first month after the month in which its Mobility Fund Phase II or Tribal Mobility Fund Phase II ongoing support is authorized in the case of a winning bidder of such Mobility Fund Phase II support, or (2) the first month after the month in which a public notice announces winning bidders for ongoing support under Mobility Fund Phase II or the Tribal Mobility Fund Phase II, whichever is later, for a competitive ETCs that is not winning bidder of such Mobility Fund Phase II or Tribal Mobility Fund Phase II support. To the extent the Commission intends for the results of the Tribal Mobility Fund Phase II auction to impact the phase-down halt of any competitive ETCs that serve Tribal lands but not serving remote areas in Alaska, the Commission should provide clarification.

support should be disbursed before the Commission can consider Phase II funding “operational” or “implemented.” Carriers will not be able to operate and continue to deploy essential services if they are receiving only 40 percent of their 2011 monthly USF support. For this reason, the Commission should clarify that Mobility Fund Phase II is deemed to have been “implemented” and “operational” only after 50 percent of Phase II funds have been disbursed to carriers and without regard to whether a particular competitive ETC is a winning bidder or not.⁶

Disbursement of at least 50 percent of the Phase II funds will ensure that the phase-down of legacy support does not re-start until Phase II replacement support is realized by winning bidders. Moreover, non-winning bidders will have had sufficient time to seek replacement funding and plan accordingly. Only by halting the phase-down of legacy support until carriers have at least half of their Phase II funds in hand can the Commission ensure the continued provision of wireless services and deployment of new wireless services to high-cost areas.

II. PROPOSED MOBILITY FUND PHASE II RULES.

A. Mobility Fund Phase II Should Be Retargeted but Without A Reduced Budget.

RWA supports a retargeting of Mobility Fund Phase II support to preserve and extend service in those areas that will not be served by the market without governmental support.⁷ To accomplish this, however, RWA does not support a subjective downward adjustment of the \$500

⁶ *Connect America Fund et al.*, WC Docket No. 10-90; GN Docket No. 09-51; WC Docket No. 07-135; WC Docket No. 05-337; CC Docket No. 01-92; CC Docket No. 96-45; WC Docket No. 03-109; WT Docket No. 10-208, Ex Parte Letter of the Rural Wireless Association, Inc. (April 14, 2014).

⁷ The Commission has also noted that approximately \$71 million of this support goes to carriers serving remote areas of Alaska, which face unique challenges in the deployment of mobile wireless services. FNPRM at n. 449. The Commission should consider creating a separate and tailored funding system for competitive ETCs serving remote areas of Alaska to ensure that sufficient universal service support is provided to mobile wireless providers serving Alaska using the amount of CETC support that is proposed to be frozen as of December 31, 2014.

million annual budget that was originally proposed for Mobility Fund Phase II. The Commission's proposal to downwardly adjust the budget is predicated on estimated February 2014 disbursement figures indicating that \$185 million is going to two national providers with announced commercial LTE roll-outs and about \$400 million of annual support is going to smaller and regional wireless providers. However, this estimate reflects an amount that was frozen and ratcheted down to 60 percent of the 2011 baseline, and the \$400 million is not reflective of carriers' current costs. The Commission should not seek to make broad cuts to a critical and federally-mandated support program based on an arbitrarily-selected window of data. Though the Commission is concerned about extending support to areas with overlapping coverage and to areas that already enjoy 3G and 4G coverage from the commercial expansions of Verizon or AT&T or other national carriers, RWA reminds the Commission that the processes of determining and challenging eligible areas and the auction structure itself would inherently eliminate unnecessary support to these areas if the Commission decides to determine area eligibility based on Verizon and AT&T deployments as is proposed, then the auction will likely contain fewer eligible areas than it would have if conducted in 2011. Moreover, the problem of supporting providers with overlapping coverage is addressed by the fact that only one provider can be a winning bidder for an eligible area. Accordingly, the Commission should preserve the original \$500 million budget, including the \$100 million budget for Tribal Mobility Fund Phase II, and allow the current marketplace scenario to play out.

Rather than reducing the budget in order to retarget Mobility Fund Phase II support in light of marketplace developments, the Commission should restrict Mobility Fund Phase II and Tribal Mobility Fund Phase II eligibility to the non-Tier I smaller and regional wireless

providers.⁸ Tier I national providers, which already cover over 91 percent of the U.S. population,⁹ are capable of internally subsidizing their rural networks and have access to economies of scale to provide mobile broadband services without seeking federal subsidies. On the other hand, small and rural carriers rely on federal universal service support to remain competitive as they continue to lack access to the latest, most-desired handsets, continue to be unable to spread costs over a large customer base, and continue to face reduced roaming revenue from large carriers that block their customers' access to rural networks. This eligibility restriction would also be consistent with the Commission's proposal to determine Mobility Fund Phase II area eligibility on this basis of areas where neither Verizon nor AT&T provides 4G LTE, and it would help the Commission realize its objective of eliminating unnecessary support to areas being served through commercial deployments.

B. ETC Designation Should Remain a Prerequisite for Participation in Mobility Fund Phase II and Not Be Permitted After Competitive Bidding.

RWA supports the current proposal to maintain the Commission's current requirement that ETC designation be a prerequisite to participating in Mobility Fund Phase II competitive bidding. The Commission should not allow Mobility Fund Phase II applicants to seek ETC designation after winning competitive bidding for Mobility Fund support. Though providing a flexible ETC designation rule may encourage more providers to participate in the Mobility Fund Phase II auction, it also would encourage speculation by carriers seeking to obtain federal

⁸ Tier I providers are typically described as the four facilities-based mobile wireless service providers that have a nationwide footprint—AT&T, Verizon Wireless, Sprint Nextel, and T-Mobile. *See generally 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, ¶27 (May 20, 2010).

⁹ *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*, WT Docket No. 11-186 (Terminated), Sixteenth Report, FCC 13-34, 26 (rel. March 21, 2013).

funding to serve areas that are unfamiliar to them. The ETC designation process, generally delegated to state commissions by Section 214 of the Act,¹⁰ ensures that public money is used in accordance with the public interest as intended.

RWA also believes that the Commission lacks the statutory authority to provide support from Mobility Fund Phase II or any other Connect America Fund mechanism to non-ETCs. Section 254(e) of the Act establishes the general eligibility requirement for receipt of universal service support whereby “only an eligible telecommunications carrier designated under section 214(e) shall be eligible to receive specific Federal universal service support,”¹¹ and Section 214(e)(1) declares that “[a] common carrier designated as an eligible telecommunications carrier under [Section 214(e)] shall be eligible to receive universal service support in accordance with section 254...”¹² Accordingly, the Commission should continue to require parties to have ETC designation prior to applying to participate in Mobility Fund Phase II competitive bidding.

C. The Commission Should Clarify the Criteria for Determining Eligible Areas and Provide an Extensive Challenge Process.

The Commission has proposed to focus Mobility Fund Phase II competitive bidding on extending mobile 4G LTE to U.S. populations that will not have 4G LTE service from either Verizon or AT&T. This proposal comes in light of the Commission’s recognition of the commercial growth of 4G LTE services provided by the “Big Two” wireless duopoly of Verizon and AT&T, citing public statements from both companies regarding their current or expected 4G LTE coverage to over 300 million Americans.¹³ Should the Commission decide to adopt its proposal to use Verizon and AT&T’s 4G LTE coverage as a benchmark of ineligible areas to determine where Mobility Fund Phase II support is needed, then the Commission also should (1)

¹⁰ 47 U.S.C. § 214(e)(2) & (5).

¹¹ 47 U.S.C. § 254(e).

¹² 47 U.S.C. § 214(e)(1).

¹³ FNPRM at ¶238.

clarify its eligible area criteria; (2) allow “partially covered” areas (i.e., areas where a portion of a network partially overlaps with an area covered by Verizon or AT&T’s 4G LTE network) to be considered eligible; and (3) give parties a thorough opportunity to challenge determinations of eligibility and ineligibility, particularly in areas that partially overlap with Verizon or AT&T networks.

First, the Commission should provide further detail on what is meant by “areas where neither Verizon nor AT&T provide[s] 4G LTE.”¹⁴ 4G LTE service can be provided by any number of providers that have relationships with Verizon or AT&T or affiliates of either company. The Commission should specify that, in order to render an area ineligible for Mobility Fund Phase II support, a 4G LTE network should be operated by Verizon or AT&T or an affiliate of each using facilities that are owned or managed by Verizon or AT&T or an affiliate of each.

Conversely, the Commission also should specify that the 4G LTE networks of small and regional providers that rely on leases of Verizon or AT&T spectrum and/or that use Verizon or AT&T merely for core 4G LTE equipment and switching would not render an area ineligible for Mobility Fund Phase II support. 4G LTE coverage from such networks may be the product of partner network arrangements between Verizon or AT&T and *unaffiliated* providers that operate these networks to serve their own rural customers. Areas with 4G LTE coverage from such partner network arrangements should be eligible for Mobility Fund Phase II support. Indeed, these arrangements are the direct result of the unwillingness of Verizon and/or AT&T to devote their own resources and capital to deploy their own networks in rural areas, despite having spectrum access in these areas. In such arrangements, partner network providers typically construct, test and operate their own 4G LTE networks to which Verizon and/or AT&T

¹⁴ FNPRM at ¶241.

customers would have roaming access. Partner network providers also use and maintain their own cell tower and backhaul facilities and provide their own “back office” support for these networks, covering all of these capital and operational expenditures out-of-pocket. Accordingly, the Commission should not consider areas served by such networks to ineligible for Mobility Fund Phase II support.

Second, for areas where a portion of a provider’s network partially overlaps with an area covered by Verizon or AT&T’s 4G LTE network, RWA urges the Commission to consider such “partially covered” areas eligible for Mobility Fund Phase II support. Particularly in areas where census blocks can be large, it would be inequitable to foreclose all Phase II support to a potentially eligible area because Verizon or AT&T’s 4G LTE coverage overlaps with some portion of the area (that likely is urban or densely populated). For those “partially covered” areas where Verizon or AT&T covers less than 75 percent of an eligible area’s population, the Commission should determine that such an area remains eligible for support in order to reach or exceed a 75 percent population coverage threshold. The Commission is on record for finding “75% of designated coverage units” to be a sufficient minimum benchmark of coverage in Phase I (*i.e.*, 75 percent of road miles for Mobility Fund Phase I and 75 percent of the population of a supported area for Tribal Mobility Fund Phase I).¹⁵ For Phase II, the Commission has again proposed to use a 75 percent population benchmark.¹⁶ Therefore, it would be reasonable and consistent with precedent for the Commission to apply the same standard to the determination of the eligibility of partially covered areas.

Third, the Commission should provide for an extensive challenge process that gives wireless providers a meaningful opportunity to specify why a particular area should be eligible or

¹⁵ 47 C.F.R. §§ 54.1006(a) & (b). *See also USF/ICC Transformation Order* at ¶365.

¹⁶ FNPRM at Appendix A (proposed rule § 54.1016(a)).

ineligible for Mobility Fund Phase II support. Though the Commission proposes to use FCC Form 477 data to determine eligible areas, Form 477 was recently revamped and the accuracy of its resulting data is currently unknown. Accordingly, the Commission should allow carriers to challenge the Commission's determination of an areas eligibility or ineligibility, as it did in Mobility Fund Phase I, and allow oppositions to Verizon or AT&T's claims of service availability. Because of the potential for disputes over partially covered areas, RWA urges the Commission to provide a sufficient amount of time—at least 45 days for challenges and 30 days for replies—to evaluate the coverage accuracy of areas. The Commission also should require carriers asserting coverage to provide evidence supporting their claims. Coverage maps used for a carrier's marketing purposes should not be considered sufficient evidence. To the extent the Commission may require carriers to submit any challenge-related evidence containing confidential business information, the Commission should issue a Mobility Fund Phase II protective order to allow for the efficient provision of evidence while assuring the protection of carriers' confidential information.

D. The Commission Should Build Flexibility Into Coverage and Performance Requirements to Reflect Deployment in Rural Areas.

For Mobility Fund Phase II, the Commission has departed from its originally proposed road mile coverage requirements (mirroring those of Mobility Fund Phase I) and proposed a three-year 4G LTE performance obligation with a population-based coverage requirement. The proposed coverage requirement of 75 percent of the population is similar to the requirement adopted for Tribal Mobility Fund Phase I. RWA supports the Commission's coverage and performance requirements provided that the Commission provide added flexibility for carriers to demonstrate performance and coverage. For the Tribal Mobility Fund Phase I, the Commission adopted safe harbor provisions to allow providers to prove coverage in a variety of ways because

of the inherent difficulties in demonstrating coverage to populations that can be spread out over large geographic areas.¹⁷ RWA encourages the Commission to extend flexible measures to Mobility Fund Phase II that would allow providers to demonstrate population coverage in rural and remote areas using a variety of proxy (e.g., geographic area; road miles; coverage to anchor institutions, commercial/industrial sites, recreational areas or other populated locales) to account for the all populations that live in, work in and travel to rural areas. Regarding coverage test data, RWA also encourages the Commission to allow providers to use drive test data or scattered site test data to demonstrate coverage.

E. The Commission Should Permit Carriers to Receive Disbursements on a Monthly or Quarterly Basis.

For the disbursement of one-time Mobility Fund Phase I support, the Commission authorizes periodic installments in large amounts to cover new 3G or 4G deployments. Because Mobility Fund Phase II support is intended to cover both capital expenditures for new deployments and for ongoing operational expenses over a 10-year term as currently proposed, the Commission should give providers the ability to request regular and predictable disbursements similar to how disbursements of legacy universal service high-cost support are handled. The Commission may continue to require providers to submit annual reports to ensure carriers' ongoing compliance with Mobility Fund Phase II performance obligations, but it also should allow for disbursements to be made in steady increments sums to give providers regular access to funds for operational expenses.

¹⁷ The Tribal Mobility Fund Phase I safe harbors include: (a) allowing providers to demonstrate across entire winning bid areas (i.e., a Census Tract or, in Alaska, an ANVSA) and (b) a geographic safe harbor allowing providers to use geographic area in a census block as a proxy for population with the block. *Tribal Mobility Fund Phase I Auction Rescheduled for December 19, 2013, Notice and Filing Requirements and Other Procedures for Auction 902*, AU Docket No. 13-53, Public Notice, DA 13-1672, ¶206 (rel. August 7, 2013).

F. The Letter of Credit Requirement Should Be Relaxed.

As it required for Mobility Fund Phase I, the Commission proposes for Phase II requiring winning bidders to obtain irrevocable standby letters of credit (“LOCs”) for each supported eligible area in order to provide the Commission with the ability to recover disbursed funds in the event of a performance default. This requirement is the same for winning bidders that won support covering one area or one hundred areas, regardless of amount. The costs related to obtaining and maintaining LOCs can be burdensome, particularly for small and rural carriers that lack resources to tie up capital in LOCs over many years.

RWA is encouraged that the Commission has started to introduce some flexibility by proposing to allow carriers to obtain LOCs issued by an “agricultural credit bank... that serves rural utilities.” But RWA urges the Commission to offer further flexibility with the LOC requirement. In particular, the Commission should allow carriers to aggregate LOCs on a project basis where the awardee can sufficiently demonstrate in its project description that a group of winning bid areas would be covered by a single site. In such cases, any performance defaults that occur are highly likely to occur on a group basis and the Commission’s support funds would continue to be secured by an LOC. The Commission has previously permitted this in Mobility Fund Phase I when it granted a waiver that permitted Alaska carrier GCI Communication Corp. to submit 13 LOCs to cover its 218 winning bid areas such that each LOC would correspond to a group of census blocks associated with a project-specific network upgrade.¹⁸ Such added flexibility would allow carriers to obtain LOCs faster and at a reduced cost, while still providing the Commission with the ability to recover disbursed funds in the event of a performance default.

¹⁸ *GCI Communication Corp., Waiver of Section 54.1007(a) of the Commission’s Rules*, Order, DA 13-2222 (November 21, 2013).

III. CONCLUSION.

As the Commission considers rules to bring wireless, competitive ETCs from legacy, high-cost support to Mobility Fund Phase II, RWA reminds the Commission that ongoing support for mobile wireless services should be targeted where most needed. Specifically, Mobility Fund Phase II support should be targeted at small and regional carriers that serve rural and remote areas and that rely on such federal support. The Commission should maintain the requirement to allow only designated ETCs to preserve the public interest protections offered by the designation process. If the Commission adopts its proposed eligible area limitation to those areas where neither Verizon nor AT&T provides 4G LTE service, then the Commission should clarify its eligibility criteria, allow partially covered areas to remain eligible, and provide an extensive challenge process. The Commission should also build flexible measures into the proposed performance and coverage requirements to reflect the nature of mobile deployments in rural areas. Finally, RWA encourages the Commission to provide flexibility with the timing of disbursements and to relax its burdensome letter of credit requirement.

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August 8, 2014