

**FEDERAL COMMUNICATIONS COMMISSION**  
**Washington, D.C. 20554**

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In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
ETC Annual Reports and Certifications	)	WC Docket No. 14-58
	)	

**COMMENTS OF THE AMERICAN CABLE ASSOCIATION  
ON THE FURTHER NOTICE OF PROPOSED RULEMAKING**

The American Cable Association (“ACA”) hereby files comments in response to the Federal Communications Commission’s (“Commission’s”) Further Notice of Proposed Rulemaking (“FNPRM”) that explores maximizing the reach of the Connect America budget and leveraging non-Federal funding to extend the reach of broadband service.<sup>1</sup> The Commission seeks “focused comment on how to create inducements for state action to assist in the expansion of broadband,” and inquires specifically on providing bidding credits in the Connect America Fund (“CAF”) Phase II competitive bidding process for applicants that leverage governmental support from non-Federal sources.<sup>2</sup> ACA appreciates the Commission’s intent to encourage both states and other non-Federal governmental entities to provide support for the expansion of broadband service in unserved, high-cost areas and applicants to take advantage of available non-Federal funding sources in making their bids. However, it believes that should the Commission

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<sup>1</sup> See *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-98, ¶¶ 97-101 (rel. July 14, 2014).

<sup>2</sup> See *id.*, ¶ 98.

adopt the proper competitive bidding mechanism, these non-Federal sources will already have a sufficient incentive to make funds available, and applicants will already have a sufficient incentive to leverage them. Moreover, it is concerned that granting applicants bidding credits for use of non-Federal sources may result in certain applicants being favored over others, thus undermining the objectivity of the competitive bidding process and participation in that process by competitive providers.<sup>3</sup> It therefore opposes the Commission’s proposal to provide bidding credits to applicants using non-Federal sources in the competitive bidding process.

In its recent comments in the Connect America Fund Further Notice of Proposed Rulemaking,<sup>4</sup> ACA generally endorsed the competitive bidding mechanism adopted for the Rural Broadband Experiments (“RBE”) and proposed the Commission use the same mechanism for the Phase II competitive bidding process: “[The RBE Program] in general achieves the aim of selecting the best applicants in a straightforward and truly objective manner. The RBE paradigm uses the CAM to establish reserve prices, permits applicants to aggregate census blocks in a bid, uses a single-round sealed bid approach, and selects recipients in a nationwide competition based solely on cost-effectiveness per location.”<sup>5</sup>

ACA’s support for the RBE competitive bidding mechanism is largely based on the fact that it selects winners based on the single, objective metric of cost-effectiveness: applicants seeking the least amount of CAF support per location will prevail. That means that applicants

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<sup>3</sup> Based on its experience, ACA is concerned about a non-Federal funding program where the mandate for the program does not explicitly state that distribution must occur on a competitively and technology neutral basis. ACA is equally concerned about a program that does explicitly state that distributions must occur on a competitively and technology neutral basis, but that does not in fact occur.

<sup>4</sup> See *Connect America Fund et al.*, WC Docket No. 10-90 et al., 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).

<sup>5</sup> Comments of the American Cable Association, WC Docket No. 10-90, at 18-19 (Aug. 8, 2014).

willing to make larger use of non-CAF support, which could come from any source, whether private or public, have a greater chance of winning. Thus, non-Federal sources would increase an applicant's "match" and the odds of it winning. In other words, applicants who receive or are eligible to receive non-Federal funds already have a significant incentive to participate to leverage their support. ACA is concerned that non-Federal sources may not award support on a competitively or technology neutral basis. For instance, state universal service funding generally is awarded to incumbent providers. Amplifying the effect of such funding sources would be unfair, harm competition, and likely discourage competitive providers from participating in the competitive bidding process, which should trouble the Commission since it would mean CAF funds would be distributed less efficiently. This risk is compounded by the fact that there is no indication that providing bidding credits for applicants who receive non-Federal funding is necessary to encourage these bidders to engage or increase their odds of engaging.

For all of these reasons, ACA cautions the Commission about moving forward with its bidding credits proposal. Because ACA and its members have been so involved in CAF proceedings related to the distribution of support in areas served by price cap local exchange carriers, it has a great interest in the Phase II competitive bidding process, and it is available to meet with the Commission at any time to discuss bidding credits or similar concepts that will shape the process.

Respectfully submitted,



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