
**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

To: The Commission

COMMENTS OF THE TELECOMMUNICATIONS INDUSTRY ASSOCIATION

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SUMMARY

TIA's members, representing the companies that manufacture or supply the products and services used in the provision of broadband and broadband-enabled applications, strongly support the Commission's goal of reforming the high-cost universal service support mechanisms to explicitly support the deployment and provision of broadband to all Americans.

TIA believes that a project of this scope must depart from a clearly understood set of goals, and therefore recommends that the Commission develop consensus on a shared set of policy goals for this proceeding. The Commission should establish an appropriate, expedited transition from existing support mechanisms to new mechanisms that explicitly support broadband. In this regard, TIA believes that the proposed ten-year timeline is too long and proposes a five-year transition instead.

The Commission also should ensure that all elements the new support mechanism – including particularly any cost model – is competitively and technology neutral. Any model also must estimate all broadband deployment costs, not just incremental costs, as some existing broadband service has depended on existing support. Finally, TIA has long advocated for market-based mechanisms to distribute universal service funding, and supports the proposal to explore a interim competitive procurement auctions and other similar mechanisms.

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The Telecommunications Industry Association (TIA) submits these comments on the *Notice of Inquiry and Notice of Proposed Rulemaking* in this proceeding.¹ The Commission seeks input regarding how to reform its universal service programs to promote the availability of broadband to all Americans in keeping with the goals of the National Broadband Plan.² Specifically, the Commission seeks to reform the universal service fund (USF) “to increase accountability and efficiency, encourage targeted investment in broadband infrastructure, and emphasize the importance of broadband to the future of these programs.”³ The *Notice* also seeks comment regarding how the Commission, pending such comprehensive reform, can shift existing voice funding “to support the provision of broadband communications in areas that would be

¹ *Connect America Fund, A National Broadband Plan for Our Future, High-Cost Universal Service Support*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, Notice of Inquiry and Notice of Proposed Rulemaking, FCC 10-58 (rel. April 21, 2010) (“*Notice*”).

² Federal Communications Commission, *Connecting America: The National Broadband Plan* (rel. Mar. 16, 2010) (“NBP”).

³ See *Joint Statement on Broadband*, GN Docket No. 10-66, FCC 10-42 (rel. Mar. 16, 2010), at 2; see also NBP at 2.

unserved without such support or that depend on universal service support for the maintenance of existing broadband service.”⁴

I. INTRODUCTION

TIA commends the Commission for proposing, consistent with TIA’s advocacy, to transition high-cost USF support toward next-generation broadband networks, to ensure that the benefits of such networks reach all Americans regardless of where they live and work. As the leading trade association for the information and communications technology industry, TIA believes that expanding access to next generation broadband is critical to generating social and economic benefits for individual consumers and fostering global leadership for America as a whole. TIA’s 600 member companies manufacture or supply the products and services used in the provision of broadband and broadband-enabled applications. With roots dating back to 1924, TIA works to promote the deployment of fixed and mobile broadband, mobile wireless, information technology, networks, cable, satellite and unified communications systems. TIA members’ products and services empower communications in every industry and market, including healthcare, education, security, public safety, transportation, government, the military, the environment and entertainment. TIA recognizes that achievement of the goals underlying this proceeding are as important to its members as to the public at large. Thus, we encourage the Commission to move forward in the transition described in the *Notice* as quickly as prudently possible.

Given that many carriers depend on existing support flows, the task of USF reform is enormous and complex. The nation’s future competitiveness, however, depends upon a successful transition to broadband support. Structuring the mechanism for such support is also

⁴ *Notice*, ¶ 1.

extremely complex, with complicated piece-parts such as economic models. The Commission is most likely to be successful in reforming support flows when it (1) focuses solely on changes that are essential to its goals, and (2) moves in predictable stages, allowing carriers and consumers to adjust. The Commission should not make this task any larger than it needs to be or include secondary issues (such as the elimination of rate-of-return regulation), which will only interfere with the likelihood that the over-arching goals of this proceeding can be achieved.

Transitioning high-cost support to broadband in this manner is consistent with the Commission's statutory authority over universal service and its duty to promote the availability of broadband to all Americans.

II. HIGH-COST REFORM MUST BEGIN WITH CLEARLY UNDERSTOOD GOALS.

In order to implement reforms as important, complex, and potentially disruptive as those pertaining to universal service, the Commission long has recognized the need to take action based on a set of coherent principles.⁵ This principled approach mirrors Congress's decision to include principles for the implementation of universal service in the text of the Telecommunications Act of 1996.⁶ TIA agrees with this approach. Given the significant revenue streams at stake, successful reform will depend upon the Commission's ability to obtain consensus on a shared set of goals.

As a starting point for building such consensus, TIA suggests the following principles for universal service reform:

⁵ See *Notice*, ¶ 5 (describing use in 1997 of ten criteria for estimating cost of providing universal service in high-cost areas).

⁶ See 47 U.S.C. § 254(b); see also Telecommunications Act of 1996, Pub. L. No. 104-190, 110 Stat. 56 ("1996 Act"). The 1996 Act amended the Communications Act of 1934. 47 U.S.C. § 151, *et seq.* ("Communications Act" or "Act").

First, reform should not leave any area without any facilities-based voice service providers. As the *Notice* correctly acknowledges, the existing universal service system – even as it fails to adequately address the imperative for ubiquitous broadband deployment – has achieved “considerable success” in fostering the availability of affordable voice service through the United States.⁷ The Commission’s efforts to update the nation’s commitment to universal service for the broadband era should not erase these gains. Indeed, the benefit of the next generation broadband equipment built and deployed by TIA members is that this equipment offers consumers data, video and other capabilities *beyond* voice over the same, powerfully versatile platform. Given the continued importance of voice service, including for emergency communications, it is critical that no area of the country is dependent solely on voice providers that do not rely on their own facilities in that area.

Second, the reformed high-cost universal service support must support broadband services on a transparent, specific, and predictable basis, consistent with the statute, in areas where no private-sector business case exists for service. Consumer demand, the imperatives of global leadership, and the dictates of Congress all underscore the importance of redirecting scarce public resources toward ensuring that next generation broadband is ubiquitously deployed, without undermining market incentives for the private sector to offer such technology in the vast majority of areas in which service can be provided economically. Thus, TIA supports the Commission’s decision to modernize universal service to target broadband and to target subsidies to low-density areas in which is it most difficult to provide service.⁸ These resources must be directed in a transparent, specific and predictable manner – both to ensure that

⁷ *Notice*, ¶ 3.

⁸ NBP at 136, 140; *Notice*, ¶ 11.

companies providing service in high-cost areas can plan confidently and to avoid potential distortions associated with implicit subsidies.⁹

Third, the reformed subsidy program should be designed to encourage carriers to invest in and deploy broadband networks over time. Thus, TIA supports the Commission seeking comment on both situations in which subsidizing initial capital expenditures will enable a service provider to sustain broadband service and on situations in which service providers will need support for continuing costs.¹⁰

Fourth, where possible, the broadband USF mechanism should be designed to complement and coordinate with other types of support flows, such as RUS programs or Recovery Act funding. The National Broadband Plan correctly notes the need for USF funding to work together with other federal funding, such as the Department of Commerce's Broadband Telecommunications Opportunities Program.¹¹ Nevertheless, to accomplish the Commission's objective that the nation "gets the most bang for its buck," the federal government must coordinate with other federal agencies to ensure that resources are targeted where they are most needed and where they will not be duplicative.

III. AN APPROPRIATE, EXPEDITED TRANSITION WILL BE CRUCIAL.

A. A Multi-Phase Transition is Necessary to Manage These Complex Reforms Effectively and Minimize Disruptions to Consumers and Carriers.

As noted above, existing universal service mechanisms have yielded considerable success in promoting the ubiquitous availability of traditional voice service. This success, however, has been possible because carriers receiving USF support have used it to build and maintain

⁹ See, e.g., NBP at 140-141 (noting that USF policies historically relied on implicit subsidies to shift costs from rural to urban consumers).

¹⁰ Notice, ¶ 46.

¹¹ NBP at 139.

infrastructure they have used to connect Americans in high-cost areas – infrastructure on which these carriers and consumers continue to rely. These carriers include both incumbent wireline companies and, in some cases, wireless service providers.

Given the significant role that the existing universal service mechanisms have played in many diverse carriers' investment decisions, the replacement of these support mechanisms with new, specific, broadband-focused support cannot occur on a flash-cut basis. Rather, the Commission should pursue a multi-phase transition for these reforms. Carriers operating in supported areas have based their business plans, in part, on their expectation of revenues from explicit and implicit subsidies under the existing regulatory framework. Shifting carriers from the current mix of universal service support and access charges to the newly-designed broadband mechanism thus requires the predictability of a transition period in order to give carriers time to adjust their business plans. A reasonable period of adjustment also should minimize service disruptions to consumers, a primary goal for the Commission. This includes potential disruptions to both voice service and broadband service.

The Commission should be especially careful to ensure that elimination of support from existing mechanisms is coordinated with establishment of new support mechanisms. In particular, the Commission should ensure that its transition to a new, more explicit broadband support mechanism is orderly, that it does not impair any existing broadband service, and that the resulting support system is clearly sufficient to ensure the achievement of national broadband goals. This orderly transition can only occur through close coordination with all stakeholders, including particularly current support recipients as well as other entities that are deploying broadband now.

There are other reasons why the new mechanisms should replace the old in a multi-phase transition over a period of time. First, mapping efforts under the American Recovery and Reinvestment Act of 2009 are not yet complete.¹² Once mapping is complete, some carriers may revisit whether there is a business case to begin providing service in areas adjacent to current service territories, especially where mapping efforts result in local efforts to aggregate demand or otherwise make unserved areas more economically attractive. This beneficial result emerged when Connect Kentucky mapped the state, and clearly defined the underserved population.¹³

In addition, the effects of Recovery Act funding for broadband have not yet fully registered in the marketplace. For example, implementation of Recovery Act funding will address some underserved communities and provide new middle mile facilities that might change the economics for deployment in some areas.¹⁴ Those effects of such funding, which is ongoing, will probably not begin to be seen until FY2012, and probably later.

A multi-phase transition for USF reform also will give the Commission time to do the outreach and coordination that will be critical in minimizing disruptions to consumers and to the industry – both disruptions that are likely and those that are simply feared. Calibrating the new broadband support mechanism to complement other federal support likewise will be an important and difficult task that will require broad consensus-building.

¹² American Recovery and Reinvestment Act of 2009, Pub. L. No.111-5, 123 Stat. 115 (2009) (“Recovery Act”).

¹³ Connected Nation, *The Economic Impact of Stimulating Broadband Nationally* (Feb. 21, 2008), *avail. at* http://www.connectednation.org/documents/Connected_Nation_EIS_Study_Full_Report_02212008.pdf, at 6.

¹⁴ NBP at 138-39.

B. At the Same Time, the Transition Should Be as Quick as Prudently Possible.

The National Broadband Plan correctly recognizes that existing USF mechanisms suffer from various deficiencies, especially with respect to the central goal of promoting broadband deployment to all Americans.¹⁵ Thus, the transition away from these mechanisms must be as quick as prudently possible, so that support is available for broadband without delay and broadband deployment is not impeded by the inefficiencies of the existing mechanism. Ultimately, the Commission must carefully balance the need to protect existing service against the need to implement a more efficient, broadband-focused universal service system. The balance the Commission appears prepared to set, however, seems likely to result in unnecessary delays in broadband funding, slowing deployment in unserved areas.

Specifically, TIA believes that the ten-year period contemplated in the National Broadband Plan is likely too long given the importance of broadband technology in our digital society and the reality that any transition set may not adhere to the Commission's "best made plans."¹⁶ Instead, TIA proposes a five-year period – a period TIA believes will enable the Commission to address the concerns necessitating a transition while shifting USF funding to broadband on a reasonably expedited basis.¹⁷

To further advance the transition, TIA urges the Commission to follow up on the suggestion in the NBP to pursue Congressional appropriations in order to expedite the implementation of the new USF mechanism and speed the deployment of broadband.¹⁸ Such

¹⁵ NBP at 140.

¹⁶ *Cf. Notice*, ¶ 7 (noting Commission's failure to update the USF cost model in light of new technology, despite its original intention to do so).

¹⁷ *See A National Broadband Plan for Our Future*, GN Docket No. 09-51, Comments of Telecommunications Industry Association (filed Dec. 7, 2009), at 3-4.

¹⁸ NBP at 151.

appropriations would mirror those of other nations that have directed public grants and loans toward broadband deployment.¹⁹

IV. ANY COST MODEL MUST BE TECHNOLOGY-NEUTRAL AND ESTIMATE ALL BROADBAND DEPLOYMENT COSTS.

As early as the *First Report & Order* initially implementing the 1996 Act's universal service provisions, the Commission has recognized the benefits of ensuring that support mechanisms do not favor one technology over another.²⁰ The Commission exercised its statutory authority to adopt "competitive neutrality" as an explicit universal service principle, explaining:

Technological neutrality will allow the marketplace to direct the advancement of technology and all citizens to benefit from such development. By following the principle of technological neutrality, we will avoid limiting providers of universal service to modes of delivering that service that are obsolete or not cost effective.²¹

TIA supports this principle and the Commission's intention to carry it into its implementation of universal service reform to advance the National Broadband Plan.²²

If the Commission hopes to achieve its vision for delivering the best and most efficient broadband service to all Americans, including those in rural and high-cost areas, maintaining technological neutrality in its universal service system will be critical. In particular, any model ultimately used to target support should be technology-neutral, and consider all network platforms that are deployed or are being deployed today.

In addition, the model should be designed to take into account the total costs of deploying and providing broadband service, and not just the incremental amount of reaching households

¹⁹ See, e.g., Robert D. Atkinson *et al.*, *Explaining International Broadband Leadership*, Information Technology & Innovation Foundation (May 2008), *avail. at* <http://archive.itif.org/index.php?id=142>, at 24-26.

²⁰ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997), ¶¶ 47-49.

²¹ *Id.*, ¶ 49.

²² NBP at 145.

currently unserved.²³ An incremental-cost model would evaluate only the cost of extending service into unserved areas, and would fail to take into account that existing support is to some degree invested in delivering broadband today.

V. EFFICIENT MARKET-BASED MECHANISMS SHOULD BE EXPLORED.

Given the imperative of fostering broadband deployment, policy makers should think boldly and embrace new, market-based ideas. TIA thus applauds the Commission for seeking specific comment on such ideas.²⁴ TIA, in previous comments, has supported market-based mechanisms, such as reverse auctions, to award USF subsidies to providers on a technology-neutral and competitively-neutral basis.²⁵ Consistent with that notion, the market-based mechanism proposed in the *Notice* – the proposed interim competitive procurement auctions – should be explored as mechanisms for deploying broadband networks to serve unserved households in an efficient manner.

²³ *Notice*, ¶¶ 33-34.

²⁴ *Notice*, ¶¶ 43-48.

²⁵ *See, e.g.*, Comments of TIA, WC Docket No. 05-337 (filed April 17, 2008) at 8.

VI. CONCLUSION

For the foregoing reasons, TIA encourages the Commission to move forward in this proceeding consistent with the recommendations set out above.

Respectfully submitted,

By: _____ /s/

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