

National Broadband Plan

Legislative Consumer Committee
September 8, 2010



MONTANA
TELECOMMUNICATIONS
ASSOCIATION

National Broadband Plan

- Mandated by the Recovery Act of 2009
 - Released: March, 2009
 - 376 pages, 17 Chapters
 - <http://www.broadband.gov/>
- Blueprint for Ubiquitous Broadband Availability and Adoption by 2020
 - “Due in large part to private investment and market driven innovation..more Americans are on line at faster speeds than ever before.”
 - 95% access today; <5% (7 million households) lack broadband access today
 - Gov. supt. needed to bridge \$24 billion gap between costs and BB revenue



National Broadband Plan

- Lofty Goals
 - Every household should have access to broadband at 4 Mbps down/1 Mbps up
 - 100 million households with 100 Mbps in 10 yrs.
 - 1 Gbps to anchor institutions in 10 years
 - Affordable access to all
 - World leadership in mobile broadband
 - Move adoption from 65% to 95% in 10 years
 - Increase use of broadband for National Purposes:
 - Clean energy, rural health care, education, public safety, e-government, etc.



FCC's 2010 "Action Agenda"

	Q2 2010 (CY)	Q3 2010 (CY)	Q4 2010 (CY)
Promote World-Leading Mobile Broadband Infrastructure and Innovation	Mobile Roaming Order and FNPRM (WTB)	AWS Bands Analysis (WTB, OET)	AWS Potential Order (WTB, OET)
		D Block Order/NPRM (WTB, PSHSB) [Also in Public Safety]	Secondary Markets Internal Review (WTB)
	Launch Strategic Spectrum Plan and Triennial Assessment (WTB, OET, OSP)	Spectrum Sharing/Wireless Backhaul NPRM/NOI (WTB, OET)	Spectrum Dashboard 2.0 (WTB, OET, PSHSB, MB, IB)
		Oppor. Use of Spectrum NPRM (OET, WTB, IB, MB, PSHSB)	Recommendation re: Contiguous Unlicensed Spectrum Proceeding (OET, WTB)
	2.3 GHz WCS/SDARS Order (OET, WTB, IB)	TV White Spaces Opinion & Order (OET, MB, WTB)	
		MSS NPRM (OET, IB, WTB)	Experimental Licensing NPRM (OET)
		Broadcast TV Spectrum Innovation NPRM (OET, MB, WTB)	
Accelerate Universal Broadband Access and Adoption	USF Reform NPRM and NOI (WCB, WTB)		Mobility Fund NPRM (WTB, WCB)
	Lifeline/Low-Income Joint Board Referral Order (WCB, WTB)	Hearing Aid Compat. Second Report & Order/FNPRM (WTB, OET, CGB)	Spectrum on Tribal Lands NPRM (WTB, CGB)
	E-Rate FY2011 NPRM (WCB)		E-Rate FY2011 Order (WCB)
	USF Merger Commitments Order (WCB, WTB)	Rural Health Care Reform NPRM (WCB)	USF Transformation NPRM (WCB, WTB)
	Lifeline Pilot Roundtable (WCB, WTB)	Lifeline Flexibility NPRM (WCB, WTB)	Intercarrier Compensation NPRM (WCB, WTB)
	FCC/FDA Workshop and PN on Converged Devices (OET)	Establish Accessibility and Innovation Forum (CGB, WCB, WTB)	USF Contributions NPRM (WCB, WTB)
	Launch FCC Office of Native American Affairs (CGB)	Real-Time Text NOI (CGB, WCB, WTB, OET)	Real-Time Text NPRM (CGB, WCB, WTB, OET)
	FCC-Native Nations Broadband Task Force (CGB)		Internet Video and Device Accessibility NOI (CGB, WCB, WTB, MB)
Foster Competition and Maximize Consumer Benefits Across the Broadband Ecosystem	Mobile Wireless Competition Report (WTB, OSP)	Interconnection Clarification Order (WCB)	
	Pole Attachments Order and FNPRM (WCB)		Small Business Broadband & Wholesale Comp. NOI (WCB)
	Small Business Broadband & Wholesale Comp. PN (WCB)	Rights-of-Way Task Force (CGB, WCB)	
		Special Access Workshop (WCB, WTB, OSP)	Special Access NPRM (WCB, WTB, OSP)
	CableCARD NPRM (MB, OET)		
	Smart Video Devices NOI (MB, OET)		Smart Video Devices NPRM (MB, OET)
	Launch Tech. Adv. Grp. on Speed & Perf. (CGB, OET, WCB)		Transparency & Disclosure NPRM (CGB, WCB, WTB, OET)
	Launch Speed and Performance Measurement Program (CGB, WTB, WCB, OET)		Broadband Data NPRM (WCB, WTB, OSP)
Advance Robust and Secure Public Safety Communications Networks		Public Safety Roaming & Priority Access NPRM (WTB, PSHSB)	NG 911 NOI (PSHSB, OET, WCB, WTB)
		D Block Order/NPRM (WTB, PSHSB) [Also in Mobile]	Back-Up Power NOI (PSHSB, OET, WTB)
		700 MHz Waiver Petitions (PSHSB, WTB, OET)	
	ERIC Public Safety Interoperability Order (PSHSB)	700 MHz Public Safety Order/FNPRM (PSHSB, WTB, OET)	Serv. Outage & Homeland Security NPRM (PSHSB, OET, WCB, WTB, IB)
	Cybersecurity Certification NOI (PSHSB, WTB, OET, WCB)	Location Accuracy FNPRM (PSHSB, OET, WTB)	
	Survivability NOI (PSHSB, OET, WTB, WCB)		
	Serv. Outage & Homeland Security Workshop (PSHSB, OET, WCB, WTB, IB)		

■ Wireless Telecommunications Bureau (WTB)
 ■ Wireline Competition Bureau (WCB)
 ■ Office of Engineering and Technology (OET)
 ■ Media Bureau (MB)
 ■ Consumer & Governmental Affairs Bureau (CGB)
 ■ Public Safety & Homeland Security Bureau (PSHSB)



Universal Service

- 47 U.S.C. Sec. 254. Universal Service
 - All Americans, no matter where they live, shall have access to affordable telecommunications service, including advanced services, that are comparable to services in urban areas, and at rates that are comparable to those in urban areas
 - A Federal-State Joint Board may recommend modifications to the definition of the services that are supported by Federal universal service support mechanisms
 - A universal service fund, established with contributions from (some) interstate and international telephone calls, supports network investment in high cost areas.



Universal Service Rulemaking

- Released: 4/21/10. Comments filed: 7/12/10. Reply Comments: 8/11.
- Over 100 comments filed, including
 - joint comments filed by 5 national assns (NECA, NTCA, OPASTCO, Rural Alliance, WTA) and 38 concurring state and Tribal assns, including MTA and MITS
 - CenturyLink, Qwest, Verizon, et al.



Rural Comments: Rulemaking Harms Broadband Investment

- Creates a Broadband Divide:
 - 4 Mbps ceiling for 20 years for rural America; but 100 Mbps urban goal
- Eliminates (without evidence) support based on costs (rate of return) with proven successful record of investment in rural areas.
- Mandates adoption of “proxy model” support with proven track record of underinvestment in rural areas.



FCC Rulemaking Will Harm Rural Broadband Investment (cont'd)

- Proxy Model is flawed
 - Supports cap ex for new investment only; but not op ex for current or new network infrastructure
 - Ignores current broadband investment
 - Exaggerates wireless capabilities without accounting for backhaul, transport, or bandwidth growth. (All wireless traffic uses fiber backbone)
 - 4Mbps ceiling for 20 years (in rural areas)
 - Models are unreliable: One Size Does Not Fit All
 - Like using a yardstick to measure a single sheet of paper, vs. 1,000 pieces of paper



FCC Rulemaking Will Harm Rural Broadband Investment (cont'd)

- Freezes high cost support at 2010 levels, while expanding other programs: e.g., Health Care, Schools & Libraries, Low Income support (good goals)
 - But at expense of high cost rural support (given frozen overall fund)
 - Rural Health care slated for 10X growth
 - Expected Low Income program reforms alone could consume entire universal service fund
- Dismantles existing programs before determining how future proposals will work



FCC Rulemaking Will Harm Rural Broadband Investment (cont'd)

- Rulemaking is inconsistent with the Telecommunications Act (Sec. 254)
 - Federal-State Joint Board determines modifications (especially such dramatic restructuring of the entire universal service program as proposed by this Rulemaking)
 - Affordability mandate is threatened
 - Comparability mandate is ignored
 - Predictability mandate is ignored
 - Sufficiency mandate is ignored



FCC Rulemaking Will Harm Rural Broadband Investment (cont'd)

- Bottom line: investment in rural broadband is at risk
 - Federal support for high cost rural broadband reduced by as much as 90%
 - Current, future financial obligations at risk
 - Deployment of new infrastructure at risk
 - Rural economic development at risk
 - Affordable rates at risk

Rulemaking's Effects on Montana

- Montana's rural telecom providers have deployed broadband access on average to over 85% of their customers, and often 100%
- They use universal service (USF) support for 10% to 50% of their revenues. (ave. = 25%)
 - Other sources are “intercarrier compensation” (ICC) and ratepayer revenues. (ave. ICC = 16%)
 - USF + ICC = 20% to 85% of total revenues



Rulemaking Effects on Montana: Examples

- Rate effect if USF is reduced by 90%
 - \$11/mo to \$217.80/mo.
- Investment effects (examples)
 - \$18 M upgrade over 5 years put on hold
 - \$4 M fiber to home planned project abandoned
 - We would lose margins needed to satisfy loan covenants, creating negative spiral
 - Losing op ex support would lead to failure to maintain current network, and possible default



Montana PSC Comments: 8/15/10

- The Rulemaking will not lead to additional broadband deployment in Montana but instead will imperil existing networks that already are providing broadband services to their customers
- “Legacy” high cost support has been successful. It cannot be reduced or eliminated without jeopardizing ongoing operation and maintenance of current services
- If reduced or eliminated, reformed universal service proposals will not meet statutory requirements for comparable rates



What Other States Saying

Regulatory Commission of Alaska (Comments 7/12/2010)

- The FCC should not adopt a model for purposes of estimating need for voice or broadband support.

Indiana URC

- The IURC is concerned about the willingness or ability of some providers to continue serving as carriers of last resort; and, ironically, even the continued availability of broadband, if existing “legacy” support is withdrawn.
- This NPRM is revolutionary, not evolutionary. The FCC is seeking to use the universal service process to create *de novo* programs that will support a fundamental paradigm shift – not just of the universal service programs, themselves, but of the communications ecosystem as a whole.
- We recommend referral to the Federal-State Joint Board [as required by law].

NASUCA (Nat. Assn. of St. Utility Consumer Advocates)

- Statutory directives still exist for affordable basic services, and for services in rural areas that are reasonably comparable to urban areas.
- The current iteration of the NBP model has serious deficiencies that prevent it from being a useful tool for the Commission.

Nebraska PSC and North Dakota PSC

- Increase the standard for broadband speed in rural areas so that the standard is reasonably comparable with the standard in urban areas.
- Preserve states' ability to continue enforcing carrier or provider service quality and consumer protection standards.
- Provide an incentive to states to supplement and encourage broadband deployment at affordable rates within their respective state borders

What Other States Saying

(Comments 7/12/2010)

Ohio PUC

- The NBP does not take into account any high-cost support that carriers presently receive, but with the elimination of legacy high-cost support, any model must account for the support of these networks.

Pennsylvania PUC

- Transferring support from current infrastructure to build into unserved areas. would penalize early broadband investment.

- The proposed reforms that limit support to broadband deployment, as opposed to ongoing voice and broadband support, are self-defeating since if support is eliminated then carriers currently providing service will no longer be able to do so.

- The FCC should abandon the proposal to eliminate RoR regulation, as this would be counter-productive. RoR regulation encourages investment.

South Dakota PUC

- We are concerned about the disparity between providing support for 4/1 Mbps broadband in high-cost rural areas, while setting a goal of affordable access to 100/50 Mbps for at least 100M homes by 2020.

Washington UTC

- The current funding mechanism has generally worked well to support telecommunications service to consumers.

Wyoming PSC

- The FCC's model and assumptions cannot reliably identify broadband gaps or target support for rural areas of Wyoming.

- For rural areas characterized by sparse population, small population centers, and very large areas, the FCC should adopt a more specific and relevant analysis involving closer partnership with the states.

- Capping legacy high-cost support has substantial negative impacts on Wyoming.



Related Issues

- **Broadband Stimulus**
 - Unserved vs. underserved areas
- **Rural Health Care Support Rulemaking**
 - Infrastructure (access) vs. Adoption
 - FCC: the issue is price, not access
 - (But recommends \$100M infrastructure access program)
- **Intercarrier Compensation (ICC)**
 - FCC suggests lost ICC revenue can be made up by consumer rates (up to \$64.65 per line)



What Does It Mean?

- Duplication/Waste of federal funds?
 - E.g., Broadband Stimulus, Rural Health Care
- Cost recovery for operations & maintenance of current networks, including broadband facilities
- Ability to invest in broadband infrastructure
- Local jobs
- Ability to maintain affordable rates
- Economic development



Recommendations

- Comparability between urban and rural broadband goals
- New funding mechanism size must be sufficient to accomplish goals
- Existing universal service mechanisms should not be dismantled without a clear understanding how future plans will work
- Cost based (rate of return) funding mechanisms must be retained
- Universal service contributions base should include all telecom consumers



What Can LCC Do?

- Write to the FCC
 - Proposed universal service reforms will harm broadband investment in Montana unless substantially modified
 - Support for access to affordable voice and broadband telecom service must be predictable and sufficient to sustain *both* capital and operational expenditure
 - Services in rural areas must be comparable to those in urban areas. The 4 Mbps ceiling imposed on rural broadband fails to meet this standard.
 - Support must be cost-based. Rate of return works. Proxy models do not work for small, rural telecom providers.



Questions?

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