



How to Avoid a “Digital Divide”

The Promise of the National Broadband Plan

The National Broadband Plan (“NBP”) recognizes that “all Americans should have access to broadband service with sufficient capabilities,” and calls broadband “*the* great infrastructure challenge of the 21st century.” The NBP holds great promise for the nation and, in particular for rural areas, in matters ranging from Health Care and Education to Energy and Economic Opportunities.

NECA, NTCA, OPASTCO, and WTA (the “Rural Associations”) applaud the NBP’s objectives, and their member companies have been making substantial strides to carry out the vision of the NBP in the hardest-to-serve, high-cost rural areas. Over the past decade, these companies have used – and continue to rely upon – USF support to invest in and operate advanced network technologies that provide quality voice and broadband services to rural Americans.

Unfortunately, USF reform proposals undercut the promise of the plan. When it comes to paying for this promise, recent focus seems to be on limiting the size of the USF program and redistributing existing resources, rather than ensuring that sustainable, high-speed broadband *becomes and remains available* for all Americans. USF support is needed to serve *both* those consumers who do not have access today, as well as those consumers who enjoy access to broadband today only because USF support enables it. If support for the latter group of consumers is reduced or eliminated, the “backsliding” losses in rural broadband availability could negate or even outweigh gains in other rural service areas. *Both availability and adoption will suffer* if providers cannot afford to maintain high-quality networks, or if they need to charge consumers substantially increased rates to do so.

Networks built only to a 4/1 Mbps standard cannot deliver on long-term national goals. This standard will over time widen the digital gap between rural and urban consumers in contradiction of Section 254(b)(3) of the Communications Act, which requires “reasonably comparable” services and rates. As a result, rural areas risk being left behind. Unlike urban areas where anchor institutions are often nearby, rural businesses and consumers rely on a reliable advanced communications network for many day-to-day needs.

Living up to the Promise – the Rural Associations’ Solutions

To achieve the NBP’s availability, affordability, and adoption objectives, the FCC must ensure that sufficient, predictable, and sustainable USF support is available for broadband services *throughout* rural America. While USF funding is not an infinite resource, 2010 funding levels are insufficient to support deployment and ongoing operation of tomorrow’s high-capacity broadband networks. Comparisons to other federal economic development and infrastructure programs demonstrate how USF funding levels represent a relatively small down payment on “*the* great infrastructure challenge of the 21st century.” The high-cost fund totaled approximately \$4.6 billion in 2009, with less than half of the funding (about \$1.9 billion) going to small rural carriers. By contrast, the 2008 Farm Bill appropriated nearly \$60 billion per year to agricultural programs. And even in a time of severe budgetary challenges, the President’s 2010 budget sought \$42 billion for highway infrastructure and nearly \$11 billion for transit infrastructure.

Resource constraints are an unfortunate reality in today’s economy. But the size and allocation of the USF should be driven primarily by the challenges ahead, and not just by budgetary limits. The FCC should therefore take several steps to address the availability and distribution of USF support before resigning itself to policies that could exacerbate any rural-urban “digital divide” or create entirely new rural-rural “digital divides.”

- The FCC should not target a specific speed. Broadband funding policy should focus on enabling providers-of-last-resort (“POLRs”) to offer *reasonably comparable services at reasonably comparable rates* in accordance with Section 254(b)(3).
- The FCC should *expand the contribution base* to require that all broadband Internet access providers and others whose business models rely upon broadband network access contribute to USF. By spreading the contribution more widely and equitably among different kinds of service providers and businesses that use broadband infrastructure, the FCC could lessen the consumer impact for each assessed service and still reasonably increase the size of the fund as necessary to overcome the challenges ahead.
- The FCC should reduce demand on the high-cost fund and free up funds for additional support requirements by *eliminating the identical support rule and funding only 1 fixed and 1 mobile POLR* in each geographic area.
- For small rural providers, the FCC should replace legacy high-cost funding mechanisms with a new Connect America Fund (“CAF”) after an appropriate transition. The CAF would work in concert with rate-of-return regulation to support the *actual costs* of deploying and operating broadband networks in study areas. Recoverable costs would include “middle mile” and Internet connectivity costs.
- For larger POLRs who have not deployed broadband in rural portions of their serving area, the FCC should establish a separate component of the CAF that is *appropriately tailored to support such deployment*.
- The FCC should *hold all POLRs accountable* to ensure all CAF funds are in fact put toward deployment and continued operation of broadband networks.