

# The National Broadband Plan

## *Challenges and Opportunities for the RLEC Industry*

Oklahoma Telephone Assn.  
June 10, 2010  
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*McLean & Brown*

# The History

- **RLECs came into being to serve rural areas that Bell found unprofitable to serve**
- **RLECs have been able to provide comparable services to urban areas at comparable rates due to an evolving mixture of:**
  - Implicit support from Intercarrier Compensation (ICC), and
  - Explicit support from the Universal Service Fund (USF)
- **RLECs have used USF and ICC to build and maintain hybrid fiber/copper networks that are enabling the delivery of high-speed Broadband services to millions of rural consumers**
- **The National Broadband Plan will finally bring about fundamental reform in the USF and ICC programs**
  - But not necessarily in the way we would like to see
  - We are entering a two-year, intense advocacy fight for our survival

# The Problem

- **Sparsely populated rural areas are costly to serve**
  - Costs greatly exceed revenues that will be generated
  - So long as the Nation maintains a policy goal of delivering Broadband to all of its citizens, explicit government support will be required
- **RLECs depend on USF and ICC to recover over half of their network costs (many > 70%)**
- **The current USF and ICC mechanisms will not be sustainable in a Broadband world**
- **The National Broadband Plan, as written, creates substantial risk**
  - The “Universal Service” paradigm has been fundamentally redefined
  - Existing USF mechanisms will totally phase out by 2020 (if not sooner)
  - ICC will be eliminated with no assurance of sustainable replacement funding
- **The regulatory and political landscape in 2010 is different**
- **The national RLEC trade associations have historically had difficulty acting in a coordinated fashion to influence policy reform**

# Section 254 of 1996 Act

## Section 254(b) – Universal Service Principles

1. Quality services at just, reasonable and affordable rates
2. Access to advanced services in all regions of the Nation
3. Consumers in rural, insular, and high-cost areas should have access to services reasonably comparable to those services provided in urban areas, at reasonably comparable rates
4. All providers of telecommunications services should pay equitable and nondiscriminatory contributions to support USF
5. There should be specific, predictable and sufficient federal and state mechanisms to preserve and advance universal service

– A legacy of the “Farm Team”

# Current USF and ICC Mechanisms Are Not Sustainable

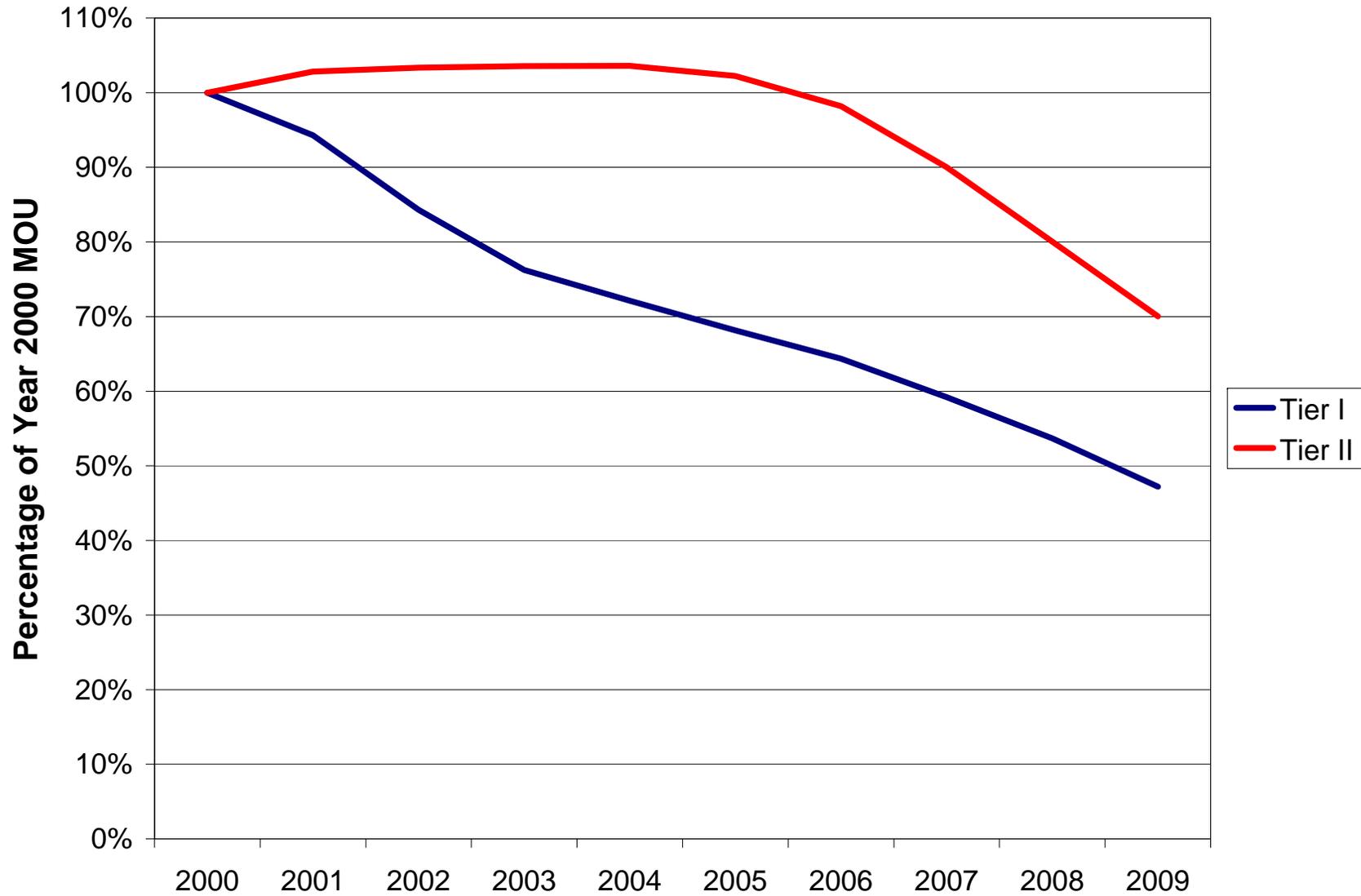
- **Universal Service Fund**

- The current USF collection mechanism based on Interstate and International long distance revenues
- Distance has no meaning on the Internet
- The contribution factor is 15.3% and growing
- How much higher can the factor grow?

- **Intercarrier Compensation**

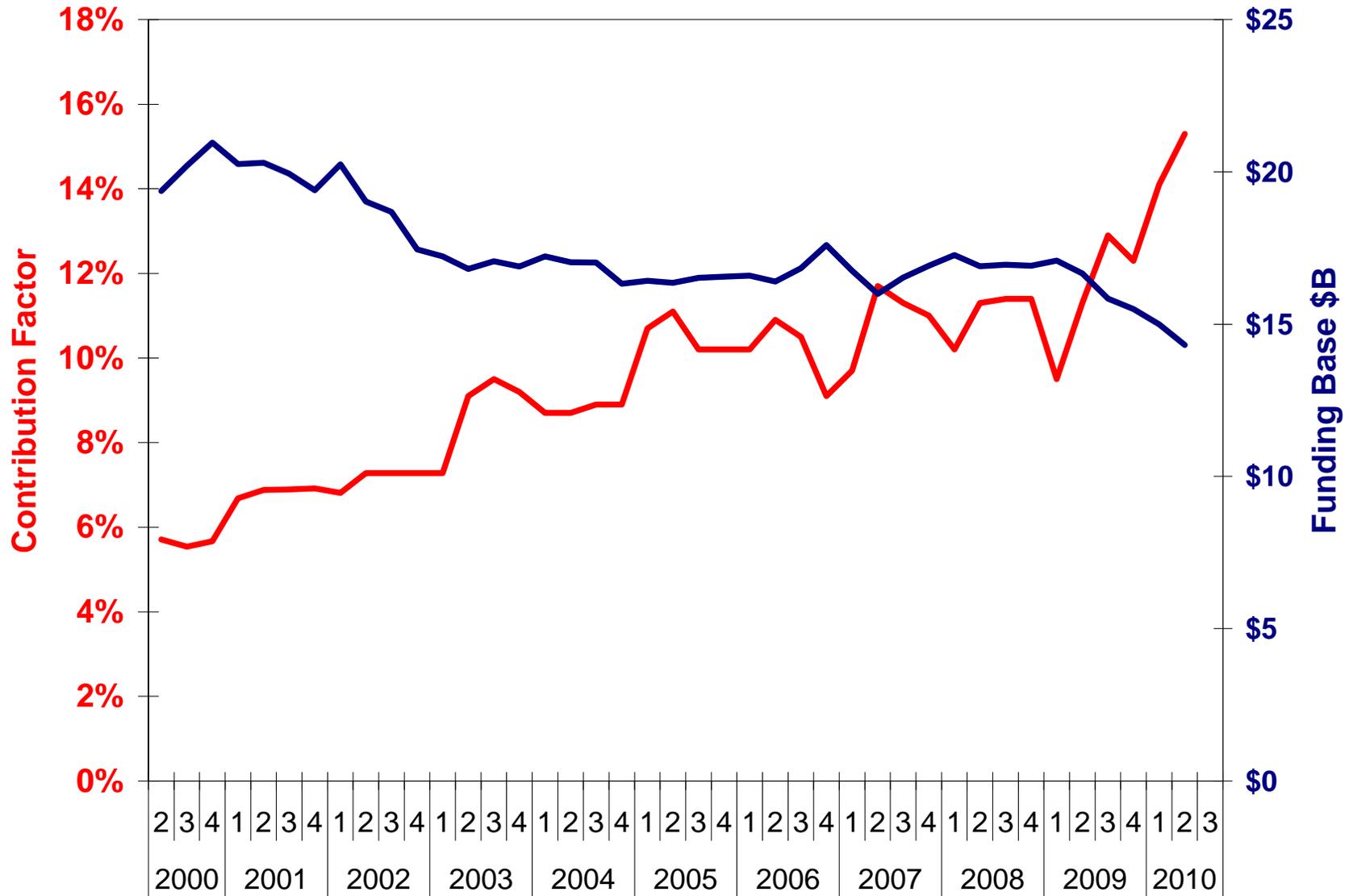
- Switched Access is billed “per minute-of-use” basis
- MOUs are declining rapidly
- MOUs do not exist in a Broadband world
- ICC, as we have known it, will soon go away

# Access MOU Trends



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# USF Collection Mechanism



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# Landscape is Different

- **New FCC Priorities**

- New Democratic FCC Chairman
- Broadband is King
- Network Neutrality, et. al. (i.e., the Silicon Valley agenda)
- Focus on Spectrum and Mobile Broadband
- Competition (for customers and high-cost broadband funding)

- **New Legislative Realities**

- The “Farm Team” is long-gone
- Questions on the size, need and efficacy of the USF
- Many other pressing priorities
- Partisan gridlock

# Rural Telecom Advocacy

(chart circa 2001)

- **Multiple voices**
- **Mixed messages**
- **We bring problems – not solutions**
- **Who else supports our positions?**
- **Not good at saying what we want**
- **We need to do a better job of telling our story**
- **Everything is so complicated!**
- **What are our 3 to 5 “fight and die” principles?**

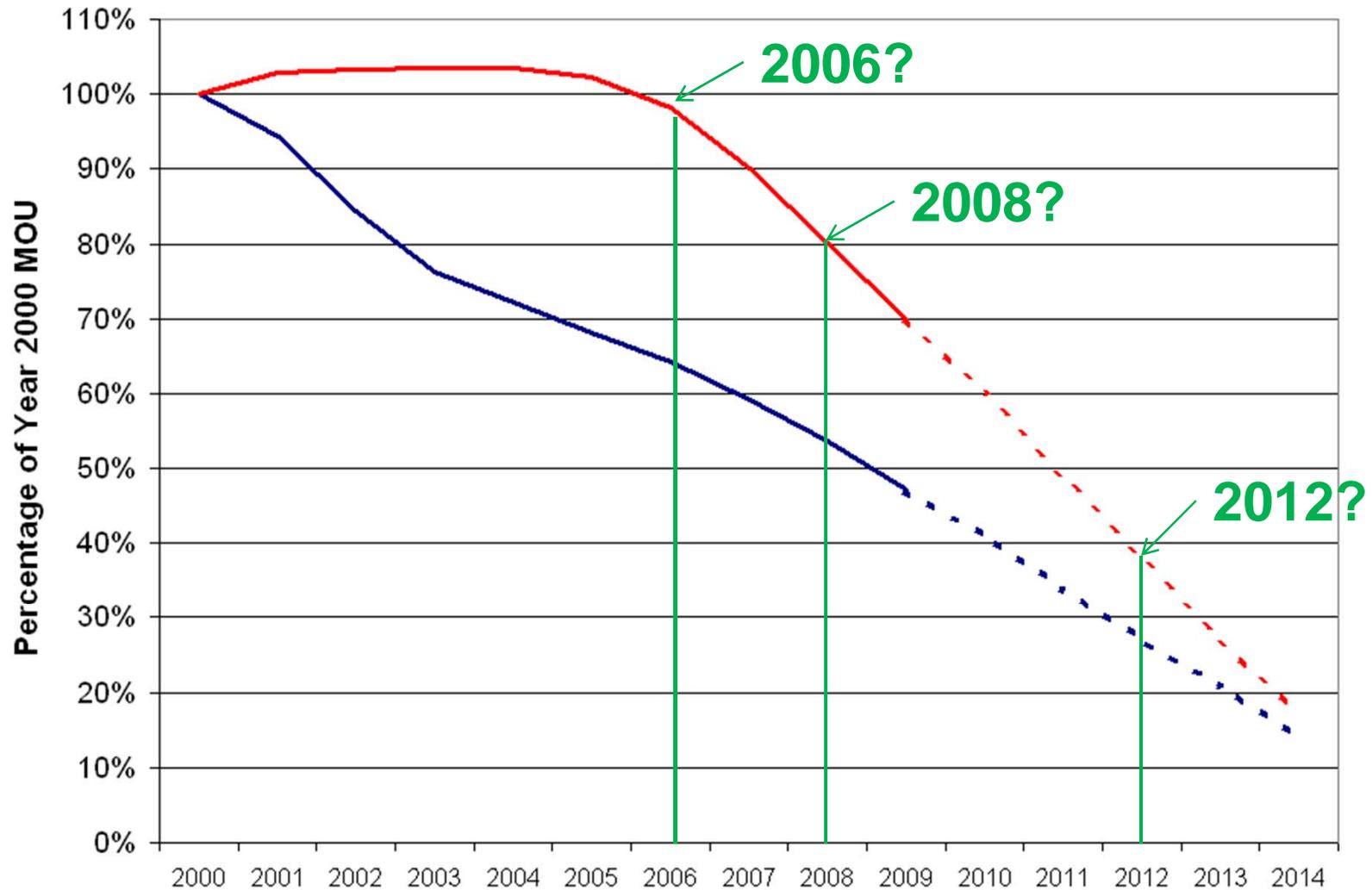
# Two Notable RLEC Success Stories

- **The Rural Task Force (1998 – 2000)**
  - RFT tasked with developing the RLEC USF Proxy Model
  - 15 RTF members representing all telecom market segments
    - 5 RLEC representatives
  - The RLEC reps were united in common advocacy goals
  - In the end, RLECs kept cost-based USF for 5 years (now 9+)
- **The Rural Alliance (2005 – 2007)**
  - NARUC ICC Task Force with all telecom market segments
  - RLECs initially had two positions (EPG and ARIC)
  - RA united the RLEC industry behind common advocacy goals
  - The Missoula Plan (MP) achieved all RLEC critical goals
  - But in the end, the RLECs splintered and didn't fight for the MP
- **Success at the FCC comes from a broad coalition with common and consistent advocacy**

# A Different RLEC Story

- **End of Year 2008**
  - Kevin Martin seeks to negotiate a solution for USF and ICC issues
  - The RLEC industry splits into two camps
    - One group negotiated a deal to achieve key RLEC priorities
    - The other group sought to kill it
  - In the end, nothing happened

# When to Monetize ICC?



# Another RLEC Story

- **End of Year 2009**
  - Congress directs the FCC to develop a National Broadband Plan
  - The FCC issues multiple requests for comments, including ICC and USF reform
  - The RLEC associations independently respond
  - There are major policy disconnects in the RLEC advocacy

# Position(s) of the RLECs

	NECA	NTCA	OPASTCO	WTA
<b>BB Supported Service</b>	Yes	Yes	Yes	Yes
<b>Definition of BB</b>	<ul style="list-style-type: none"> <li>Service packages demanded by rural consumers</li> </ul>	<ul style="list-style-type: none"> <li>Evolving definition</li> <li>Busy-hour capacity comparable to urban areas</li> </ul>	<ul style="list-style-type: none"> <li>Speed at least equal to national average</li> </ul>	<ul style="list-style-type: none"> <li>Flexible definition in terms of speeds above a minimum floor</li> </ul>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>BB transmission service is Interstate</li> <li>Regulated common carrier (Title II) service to receive BB USF</li> <li>Ability to offer service under tariff, contract or revenue sharing basis</li> </ul>	<ul style="list-style-type: none"> <li>BB is a telecommunications service</li> <li>Regulate BB under Title II as a common carrier</li> <li>Title II earnings review for BB USF recipients</li> </ul>	<ul style="list-style-type: none"> <li>Make networks available on common carrier basis to receive BB USF</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
<b>Transitional Fund</b>	<ul style="list-style-type: none"> <li>Rates based on actual costs</li> <li>Bundles remain unregulated</li> <li>Permit optional services on Title II basis</li> </ul>	<ul style="list-style-type: none"> <li>Maintain RoR regulation through transition period</li> <li>Support based on study area average costs</li> <li>Naked BB receives same USF as bundled BB access</li> <li>Transition high-cost USF to BB USF over a reasonable period of time</li> </ul>	<ul style="list-style-type: none"> <li>Opt-in to BB USF at any time during 7 year transition period</li> <li>Existing mechanisms until opt-in</li> <li>After 7 years existing support mechanisms and ICC eliminated</li> </ul>	<ul style="list-style-type: none"> <li>Predictable and sufficient funding with transition from PSTN to BB support</li> <li>Modify Parent Trap rule</li> </ul>
<b>New BB Fund</b>	<ul style="list-style-type: none"> <li>Compare regulated common carrier costs to an urban benchmark</li> <li>Transition "common line" costs to "BB end user connection" approach</li> <li>Existing HCL and ICLS funding continues</li> </ul>	<ul style="list-style-type: none"> <li>Define "Market Failure Areas"</li> <li>BB USF provided through ICLS or IAS mechanisms</li> <li>Total company regulated Title II costs revenues and earnings determine distributions</li> <li>Include ongoing operations and maintenance expense</li> <li>No cap on USF</li> <li>Make Rural Health Care Pilot program permanent</li> </ul>	<ul style="list-style-type: none"> <li>BB costs recovered through affordable end-user rates and BB USF</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>One fixed technology and one mobile wireless provider in each area</li> <li>Funding when actual costs exceed a qualifying benchmark</li> </ul>	<ul style="list-style-type: none"> <li>No more than one wireline and one wireless provider</li> </ul>
<b>Other Parameters</b>	<ul style="list-style-type: none"> <li>Funding for network from end-user premise to Internet backbone node</li> <li>Transition from ILEC, ISP, CLEC distinction to new Rural Broadband Network Provider concept</li> <li>Non-Title II transport providers terms, conditions and rates equal to those to themselves and affiliates</li> <li>Content provided on terms, conditions and rates comparable to large national providers</li> </ul>	<ul style="list-style-type: none"> <li>Include Internet backbone and middle-mile costs in calculation of BB USF</li> <li>Eliminate identical support rule and base USF on each company's own cost within 5 years</li> <li>Establish Title II interconnection and network management rules</li> <li>Use RFA to reduce burdens on small RoR carriers</li> </ul>	<ul style="list-style-type: none"> <li>Support last-mile loop costs, middle-mile transport costs, and access to the Internet backbone</li> </ul>	<ul style="list-style-type: none"> <li>Prohibit discriminatory pricing of video services</li> </ul>

# Position(s) of the RLECs

	NECA	NTCA	OPASTCO	WTA
<b>Low Income Funding</b>	•	• Improve Low Income Pilot program	• Expand Low Income Fund to support broadband Internet access for qualifying consumers	•
<b>Access Reform</b>	<ul style="list-style-type: none"> <li>• Transition switched access in several steps:               <ul style="list-style-type: none"> <li>○ State to Interstate capped level</li> <li>○ Then to lower capped MOU rate under voluntary state participation in return for federal funding</li> <li>○ Include a federal benchmark rate in funding calculation</li> </ul> </li> <li>• Transition Part 69 rules for switched access to the special access model for network pricing</li> </ul>	<ul style="list-style-type: none"> <li>• All PSTN users (incl. VoIP) pa applicable ICC through transition</li> <li>• States voluntarily reduce rates to interstate levels over 5 years</li> <li>• Freeze interstate rates</li> <li>• Establish RM to recover lost revenues through ICLS or IAS</li> </ul>	<ul style="list-style-type: none"> <li>• All ICC rates transition to zero over 7 years</li> <li>• ICC rates at opt-in transition into BB USF as the ICC rates are reduced</li> <li>• After 7 years existing USF and ICC eliminated and carriers recover BB network costs through affordable end-user rates and the BB USF</li> </ul>	•
<b>USF Contributions</b>	<ul style="list-style-type: none"> <li>• Combination of all telephone numbers and all broadband connections</li> </ul>	<ul style="list-style-type: none"> <li>• Expand base of USF contributors to include all retail broadband and Internet access providers</li> <li>• Open proceeding to determine if other companies e.g., Google) should also contribute</li> <li>• Contributions based on telecom and broadband revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Combination of working telephone numbers and public network connections, including broadband, regardless of technology</li> </ul>	•

# Two Major Policy Divides

	<b>Broadband Fund</b>	<b>USF Collection Mechanism</b>
<b>One Group</b>	Study Area	Telephone Numbers and Broadband Connections
<b>Another Group</b>	Market Failure Areas	Telecommunications and Broadband Revenues

# It's About Time!!



May 18, 2010

## ***UNIFIED RURAL VOICE ACHIEVED!***

Dear Members:

We are pleased to report to you the national associations representing your interests as rural rate of return carriers (RLECs) have agreed to a joint filing of a unified rural position in the National Broadband Plan's Notice of Proposed Rulemaking (NPRM) and Notice of Inquiry (NOI) seeking comment on the Commission's proposals regarding Cost Modeling and Universal Service Reform. We recognize the importance of speaking with one voice on the critical issues facing our members and to that end, have been holding meetings on how best to respond on your behalf. Below are some of the key points we are supporting.

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# What is in the NBP?

- **By 2020, 100 Mbps broadband to 100M homes**
- **500 Mhz of new spectrum for mobile broadband**
- **Documentation for broadband benefits:**
  - Health Care, Education, Economic Opportunity, Government Performance, Civic Engagement and Public Safety
  - Programs to move adoption rates from 65% to 90%
- **Current USF evolves to a broadband fund**
  - Connect America Fund (CAF)
  - Mobility Fund (MF)
  - Shift \$15.5B from current USF to broadband support over 10 years
- **Eliminate per-minute ICC over time**
  - Congress gives FCC authority to regulate intrastate access
  - Offset revenue loss through SLC increases and basic rate rebalancing
- **Three “Stages” of implementation**
  - Stage 1 (2010-2011) – Design new mechanisms and processes
  - Stage 2 (2012-2016) – Implementation
  - Stage 3 (2017-2020) – Eliminate legacy High-Cost programs

# Connect America Fund

- **Funds go to unserved areas with no private sector business case for broadband (4 Mbps down/1 Mbps up)**
- **Support = forward-looking cost – revenues**
  - Forward-looking costs of 4/1 Mbps as determined by a proxy model
  - Revenues include regulated and unregulated revenues
- **Maximize the number of households that can be served quickly**
- **Neutral geographic units such as Census Blocks**
- **At most one funded Broadband Provider of Last Resort (BPOLR) per geographic area**
- **Total funding (CAF + MF) no higher than 2010 levels**
- **No provisions (yet) for support for current rural broadband infrastructure funding (i.e., USF and ICC replacement)**

# Shift \$15.5B in Funding

Shift From	
Amount	Item
\$3.9B	Phase out Sprint/Verizon funding over five years
\$5.8B	Phase out remaining CETC support in Stage 2
\$1.8B	Move RoR carriers to Incentive Regulation through freezing ICLS levels
\$4.0B	Eliminate IAS for Price Cap carriers
<hr/> \$15.5B	

Shift To	
Amount	Item
\$4.0B	Activities including: <ul style="list-style-type: none"> <li>•Mobility Fund</li> <li>•Revenue replacement to offset ICC reductions</li> <li>•E-rate and Rural Health Care programs</li> <li>•Broadband Lifeline Pilot</li> </ul>
\$11.5B	Connect America Fund
<hr/> \$15.5B	

# Shift \$15.5B in Funding

		Shift From		Shift To	
		Amount	Item	Amount	Item
<b>Wireless</b>	}	\$3.9B	Phase out Sprint/Verizon funding over five years	\$4.0B	Activities including: •Mobility Fund •Revenue replacement to offset ICC reductions •E-rate and Rural Health Care programs •Broadband Lifeline Pilot
		\$5.8B	Phase out remaining CETC support in Stage 2		
<b>RLEC</b>		\$1.8B	Move RoR carriers to Incentive Regulation through freezing ICLS levels	\$11.5B	Connect America Fund
<b>RBOC</b>		\$4.0B	Eliminate IAS for Price Cap carriers		
		<u>\$15.5B</u>		<u>\$15.5B</u>	

# What Does This Mean?

- **End of “Universal Service” as defined in 254(b)(3)**
  - 100 Mbps vs. 4 Mbps
  - A new “Digital Divide” with serious negative consequences for rural America
- **Significant shifts in funding recipients**
  - RBOCs have largest number of “unserved” areas
  - Gee – now wireless does provide broadband service
  - How much funding will be taken by broadband Lifeline service?
- **A significant tilt towards wireless carriers**
  - 4/1 Mbps upper bound of 4G capabilities
  - Flawed FCC “Broadband Model” found wireless “most efficient technology” for 90% of unserved households
  - Can be funded at 2010 levels

# What Does This Mean?

- **RLECs face grave uncertainty for the future**
  - RoR regulation effectively ended by ICLS freeze and CAF
  - Little incentive for new investment
  - Current mechanisms gone by 2020
  - How much funding can RLEC broadband providers expect?
    - If they are BPOLR?
    - If someone else is BPOLR?
  - How will CAF be defined
- **The USF Collection Mechanism could literally implode**
  - Significant pain for multiple segments (RLEC, S&L, Low-Income, Rural Health Care)
- **We have a lot of work to do to get this all fixed!**

# FCC's "Roadmap For Reform"

	<b>Stage 1 (2010-2011)</b>	<b>Stage 2 (2012-2016)</b>	<b>Stage 3 (2017-2020)</b>
<b>Universal Service</b>	<p>Rules to move RoR carriers to incentive regulation</p> <p>Implement Sprint/Verizon commitments to reduce CETC funding to zero</p> <p>Rules to phase out remaining CETC support over 5 years</p> <p>Framework for ICC reform and measures to curb arbitrage</p>	<p>Begin disbursements from CAF and MF</p> <p>Implement reformed contribution methodology</p> <p>Phase out all remaining CETC support</p>	<p>Eliminate legacy High-Cost programs</p>
<b>Intercarrier Compensation</b>	<p>Adopt framework for long-term ICC reform, while implementing interim measures to curb arbitrage</p>	<p>Begin reductions in ICC rates</p>	<p>Phase out per-minute rates</p>

# 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)
	2.3 GHz WCS/SDARS Order (OET, WTB, IB)	Oppor. Use of Spectrum NPRM (OET, WTB, IB, MB, PSHSB)	Recommendation re: Contiguous Unlicensed Spectrum Proceeding (OET, WTB)
		TV White Spaces Opinion & Order (OET, MB, WTB)	Experimental Licensing NPRM (OET)
		MSS NPRM (OET, IB, WTB)	
Accelerate Universal Broadband Access and Adoption			Mobility Fund NPRM (WTB, WCB)
	USF Reform NPRM and NOI (WCB, WTB)	Hearing Aid Compat. Second Report & Order/FNPRM (WTB, OET, CGB)	Spectrum on Tribal Lands NPRM (WTB, CGB)
	Lifeline/Low-Income Joint Board Referral Order (WCB, WTB)		
	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)	Rights-of-Way Task Force (CGB, WCB)	Small Business Broadband & Wholesale Comp. NOI (WCB)
	Small Business Broadband & Wholesale Comp. PN (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)	Serv. Outage & Homeland Security NPRM (PSHSB, OET, WCB, WTB, IB)
	ERIC Public Safety Interoperability Order (PSHSB)	700 MHz Public Safety Order/FNPRM (PSHSB, WTB, OET)	
	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)

# Key RLECs Proceedings

- **2Q 2010**

- USF Reform NPRM and NOI (*Issued 4/21/2010 comments due 7/12/2010*)
  - NPRM that proposes “common sense” reforms to the existing high-cost support mechanisms to identify funds that can be refocused towards broadband
  - NOI that seeks comment on the use of a model to determine efficient and targeted support levels for broadband deployment in high-cost areas
- Lifeline/Low-Income Joint Board Referral Order
- USF Merger Commitments Order
- Pole Attachments Order and FNPRM
- Special Access Workshop

- **3Q2010**

- Rural Health Care Reform NPRM
- Lifeline Flexibility NPRM
- Interconnection Clarification Order
- Special Access NPRM
- Mobility Fund NPRM

- **4Q2010**

- USF Transformation NPRM
- Intercarrier Compensation NPRM
- USF Contributions NPRM

# The Broadband Availability Gap

(OBI Technical Paper No. 1)

## Availability

*Number of unserved and their proximity to current broadband infrastructure*

### Current state

- HFC, telco and wireless availability calculated independently
- Used best available data from commercial and government sources
- Filled data gaps with a statistical model

### Future state

- Based on public announcements

**7.0 million  
unserved homes**

## Funding shortfall

*Funding required to induce operators to deploy ubiquitous broadband*

### Key principles

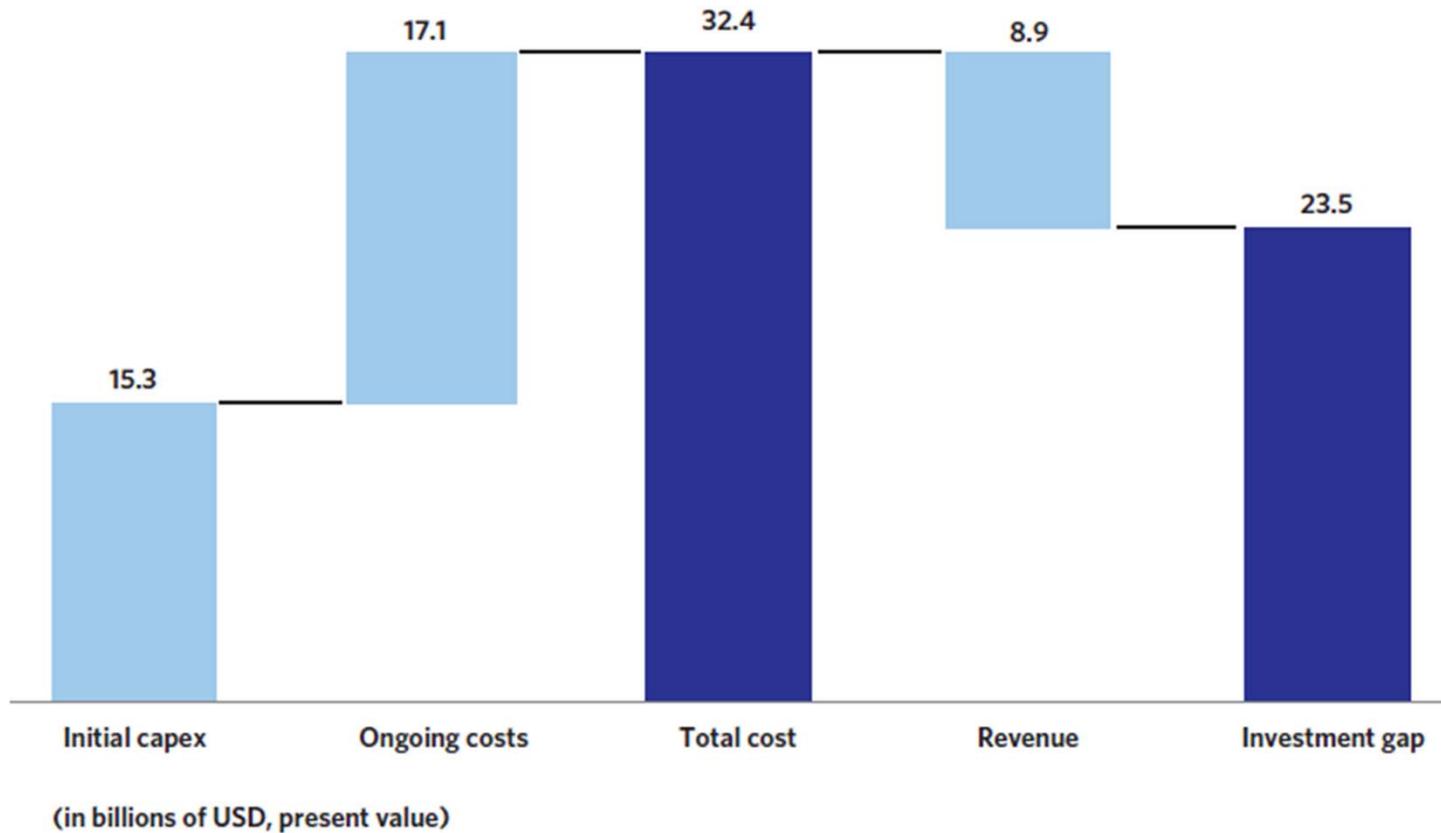
- NPV analysis
- Incremental economics
- Sufficiently granular
- Economies of scale
- Technologically conservative

### Key decisions

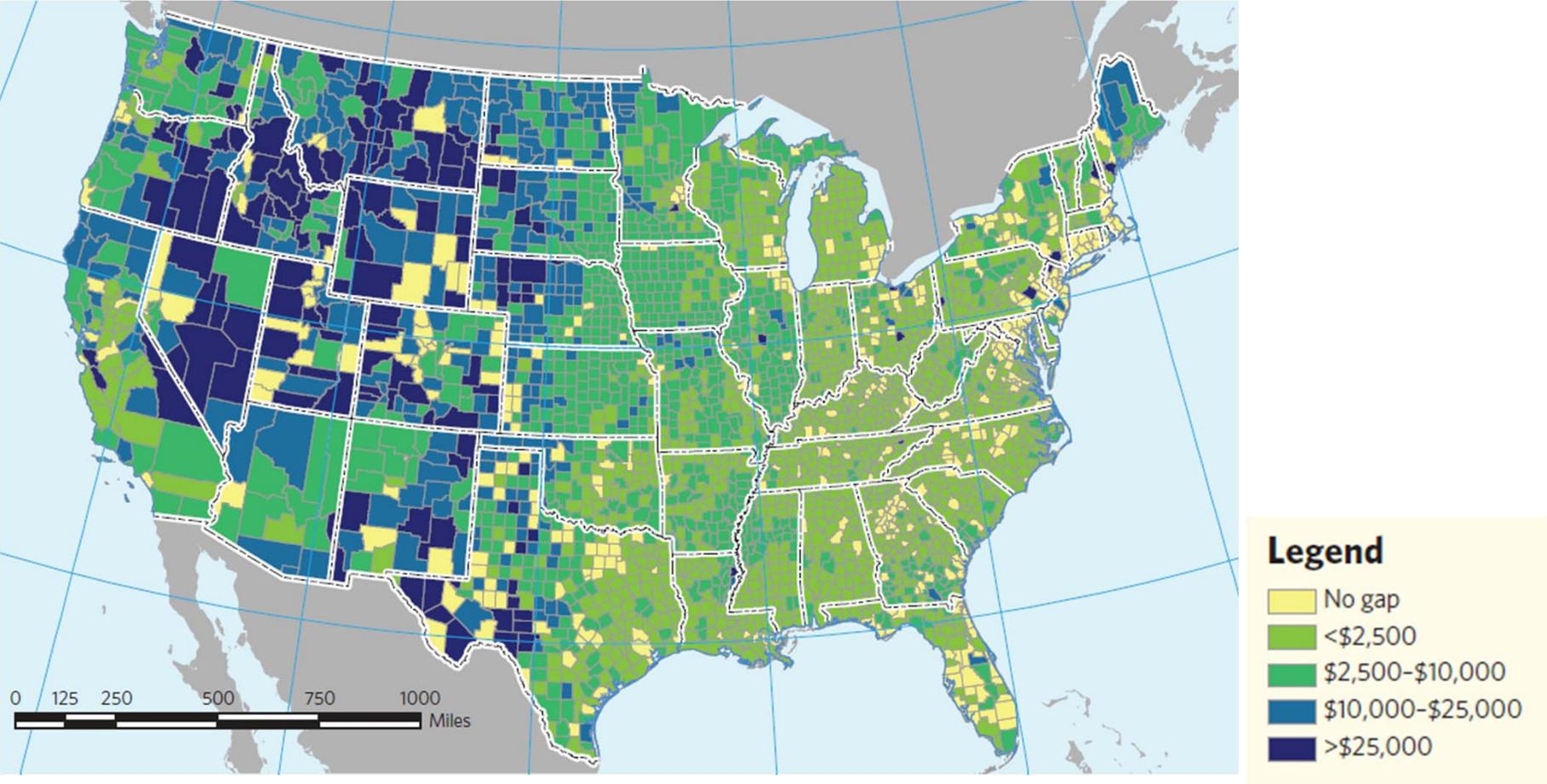
- Fund only one network
- Market based disbursement
- Terrestrial coverage for all
- Account for 4G build out
- Proven use cases

**\$23.5 billion  
availability gap**

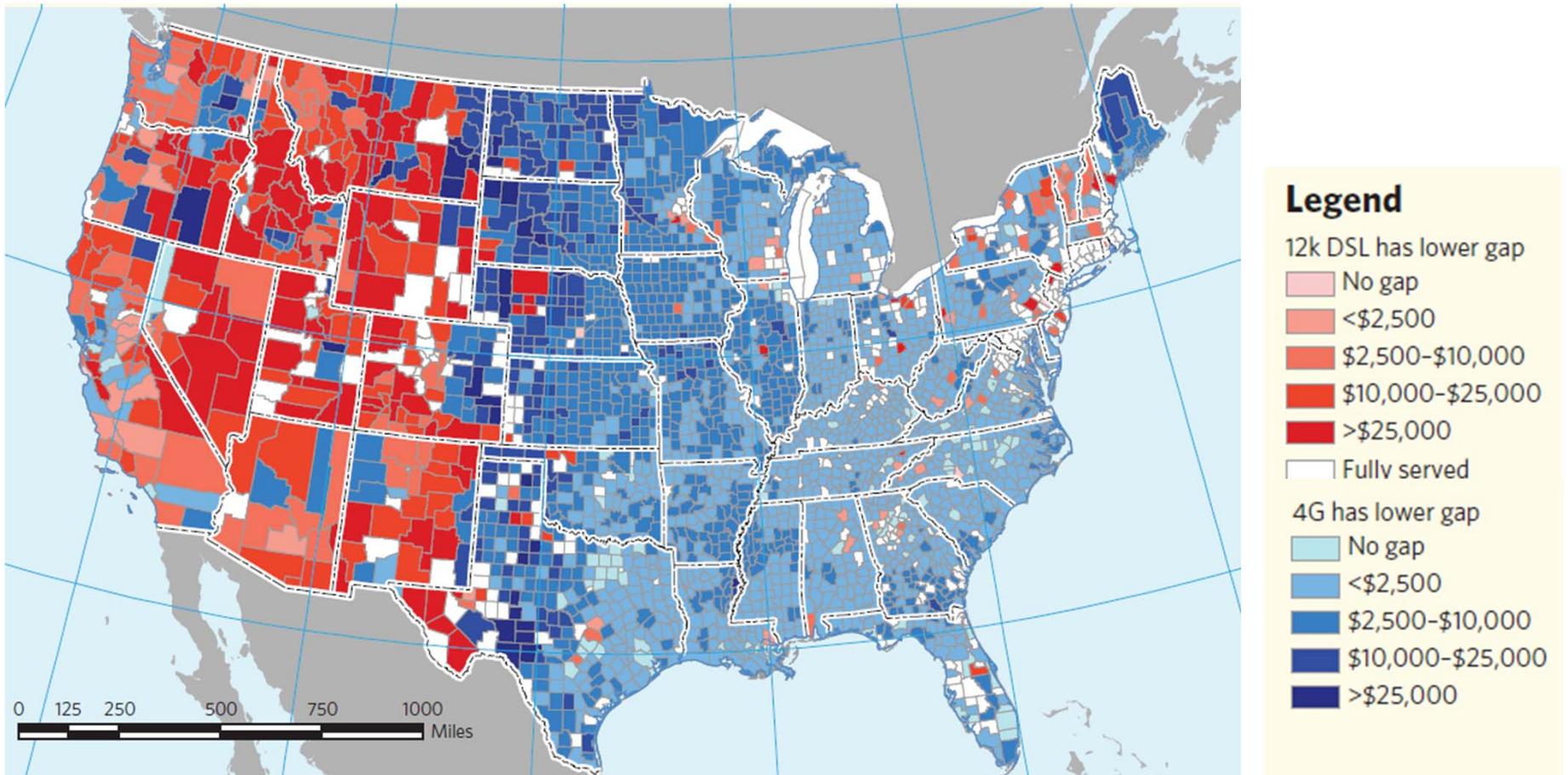
# Broadband “Investment Gap”



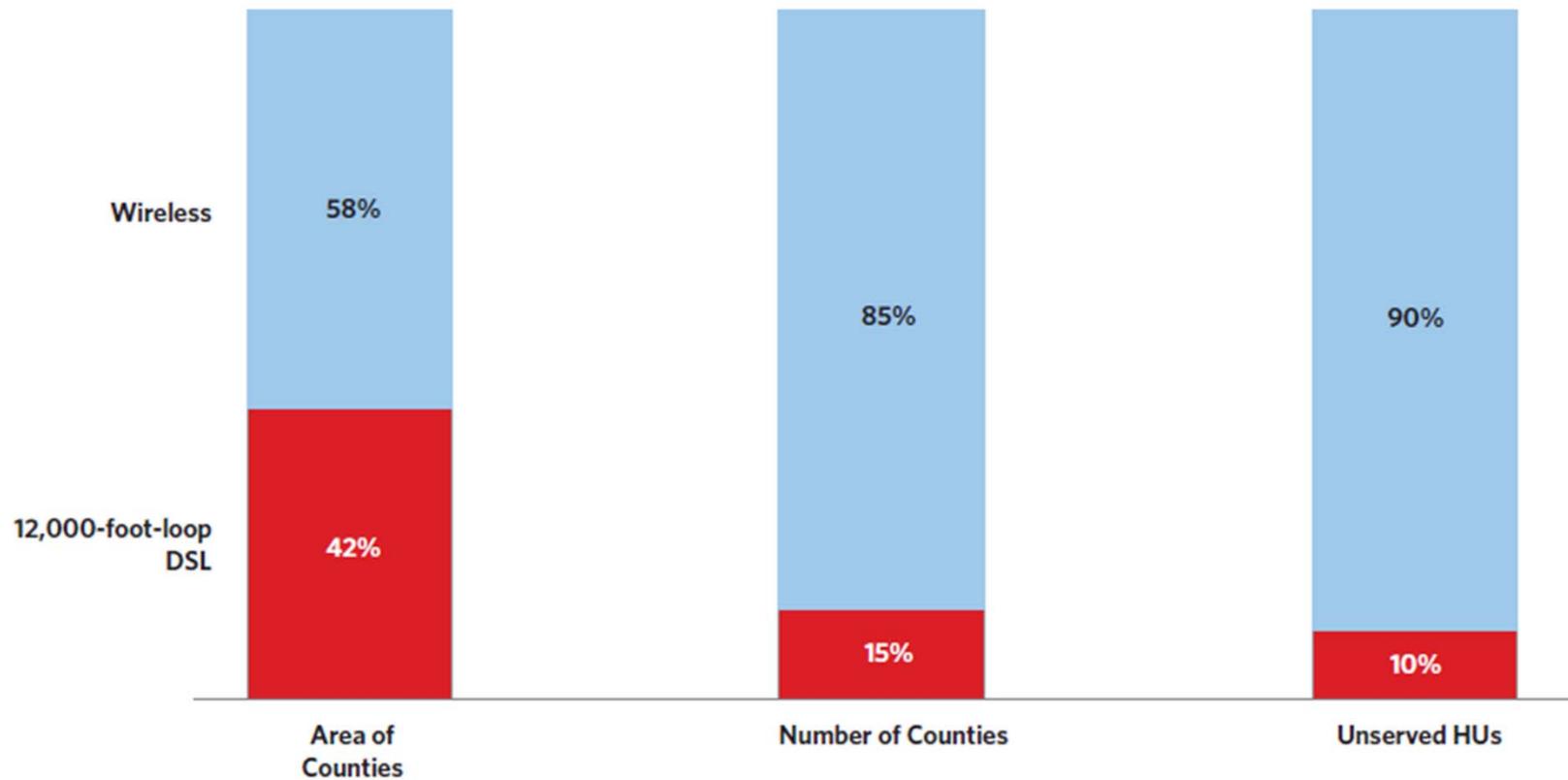
# Investment Gap Per Household



# Investment Gap “Lowest-Cost Technology”



# “Lowest Cost” Technology



# Reasons For Cost Differences

- **Definition of “Current State” Coverage**
  - Wireless and Cable developed from commercial “coverage maps”
  - No current national data base for Wireline DSL
    - DSL coverage estimated based on Alabama data (partial MN and PA data)
    - Regression analysis based on relationship of DSL to demographic factors
- **Wireless designed as “Fixed Wireless Access” (FWA)**
  - High-powered CPE and external high-gain antenna
  - Tower coverage radius defined by fixed terrain relationships
  - Definitely not “Mobile Broadband”
- **Rural consumers forever locked with 4/1 broadband**
  - Limited speed and throughput of FWA architecture
  - No migration path for rural customers to higher broadband speeds
- **Failure to realize the long-term benefits of fiber**

# Broadband Availability Gap

- **\$23.5 B = “Second Most Efficient” Technology**

- 12 Kft DSL           \$18.6B
- 4G Wireless         \$12.9B
- “Lowest Cost”       \$8.0B

- **Satellite Alternative**

- 7M Total Unserved           \$23.5B
- Highest 250K                 \$13.4B
- Remaining 6.75M             \$10.1B

# The NBP is only a PLAN!

- **We have a good story to tell – let’s keep telling it**
- **We have strong facts and data to support our case – let’s use them**
- **We have access to local, state and national policy leaders – let’s act in concert to make the most of our political power**
- **With strong and coordinated advocacy we can effectively advocate for positive changes**
  - The USF contribution mechanism must be fixed in a timely manner
  - Rural broadband providers that can deliver higher speeds to consumers should have first call on CAF resources
  - Rate-of-return regulation produces tangible benefits for rural consumers, and should continue for RLECs
  - Proxy models never have been, and never will be, accurate enough to determine sufficient funding for serving individual wire centers or small geographic areas
  - The public interest demands “specific, predictable and sufficient” funding for services and rates comparable to those in urban areas
  - Etc, etc, etc...
  - **We don’t have to continually shoot ourselves in the foot!!!**

# RLEC Advocacy

- **Immediate**

1. Fix the USF Collection Mechanism
  2. Decide that VoIP pays access charges
- The FCC has an ample record to decide both issues immediately!

# Three Critical Advocacy Areas

## 1. Clarify the Mission of Universal Service Funding

- Comparability is the law of the land!
- A broadband “Digital Divide” will be harmful to rural America
- Focus on investment in highest-speed infrastructure (i.e., fiber)
- Wireless lacks speed and throughput capacity

## 2. Perform damage control on the Proxy Model

- Quickly develop an understanding of the FCC’s proposed model
- Demonstrate (again) why the model won’t achieve policy goals
- If we can’t kill it, at least make it better with reasonable facts-and-data

## 3. Shape the transitions of USF and ICC

- RLECs must have the resources to operate and expand their fiber-based broadband networks (both capex and opex)
- RoR regulation provides the needed incentives for infrastructure investment
  - Make it better – don’t kill it!
- ICC revenue contributions must be replaced with sustainable funding

# Joint RLEC Advocacy

## Three Work Teams (NOI/NPRM)

1. Overall Policy Comments (CAF, RoR, etc.)
2. Proxy Model Comments
3. Joint Advocacy and Coalition Building

## Joint Advocacy and Coalition Building Team

- Joint effort of National and State RLEC Associations
- Identify key rural stakeholder groups
- Reach out and educate on NBP impacts on rural America
- Encourage advocacy to FCC and Congress
- Engage RLEC employees in every aspect of this process

# So Where Are We?

- **Federal Communications Commission**
  - New Chairman and priorities
  - Exhaustive agenda of policy changes
  - Responds best to a broad coalition with consistent advocacy
- **RLECs are coming together for effective advocacy**
  - Joint advocacy on major proceedings
  - Outreach and advocacy coalition building
- **OTA has an important role to play!**
  - Get your employees educated and involved
  - Reach out and engage other Oklahoma rural stakeholders
  - Partner with state and national RLEC associations
- **Time is short – the stakes are enormous**
  - We have the luxury of not a lot of time

# Thought for the Day

***“There are those who see things as they are and ask, Why? And there are those who see things as they could be and ask, Why not?”***

- George Bernard Shaw

# Remainder of the Day

- **Paul Cooper – Financial Impact Model for NBP**
- **Local Consultant Panel**
  - Craig Cook – JSI
  - Paul Cooper – FWA
  - Kevin Kelly – TCA
  - James Lightfoot – ACRS
  - Jo Shotwell – CHR
- **National Panel**
  - Brian Ford – OPASTCO
  - Bob Gnapp – NECA
  - Adam Healy – NTCA
  - Derrick Owens – WTA
  - Joshua Seidemann - ITTA

**For more information go to:**

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