



NEWS

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See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

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FCC TAKES MAJOR STRIDES TOWARD FURTHER EXPANSION OF RURAL BROADBAND

Second Phase of Connect America Fund Will Connect Five Million Rural Americans to Broadband

Washington, D.C. – The Federal Communications Commission today took significant steps toward implementing the next phase of its program for expanding robust broadband in rural America, the Connect America Fund.

Phase I of the Connect America Fund has already invested over \$438 million to deploy broadband service to 1.6 million previously unserved Americans. Phase I also invested \$300 million to expand advanced mobile wireless service and nearly \$50 million for better mobile voice and broadband on Tribal lands. Phase II the Connect America Fund will result in a nearly 70% increase in annual support for broadband and voice service in areas served by the nation’s largest traditional local providers – known as “price cap” carriers.

The effort will expand broadband access to an additional 5 million Americans who are currently unable to benefit from the opportunities of 21st century communications. Over five years, Phase II of the Connect America Fund will provide nearly \$9 billion to expand broadband in rural areas.

Today’s actions build on the FCC’s experience implementing the landmark 2011 reforms of universal service support for voice and broadband in rural areas that created the Connect America Fund. The steps taken today are focused on updating the program to ensure that we are delivering the best possible voice and broadband experiences to rural America within the confines of our Connect America budget, while providing increased certainty and predictability for all carriers and a climate for increased broadband expansion.

For example, because 98 percent of the population in urban areas has access to fixed broadband at speeds of 10 Mbps or more, among the proposals being explored is whether to more than double the download speed required for subsidized broadband networks, from 4 Mbps to 10 Mbps. This is one of several areas in which the Commission seeks to ensure that consumers receive the same quality service regardless of where they live. In addition, because there has been rapid private sector expansion of 4G LTE mobile broadband service since 2011, the Commission is exploring whether to retarget Mobility Fund Phase II support to ensure the continued deployment and preservation of 4G LTE mobile broadband service and preservation of mobile voice and broadband service in areas that otherwise would not have such service through marketplace forces.

The concept of targeting subsidies for broadband and voice service to pockets of rural America where they are needed most is central to the FCC's 2011 reforms. Later this year, "price cap" carriers will be given the opportunity to accept Connect America Fund support in high cost areas based on detailed local cost estimates, calculated by a cost model. Incumbent carriers must choose to accept or decline the offer of support for all entire high-cost locations they serve in a given state; if they decline, the subsidies will be made available to other providers, awarded through a Phase II competitive bidding process.

To help ensure the success of the competitive bidding process, the Report and Order streamlines the process for allowing non-traditional providers, such as cable operators, satellite providers, and electric cooperatives, to become eligible for support. We expect these changes to benefit consumers living in the nation's most remote and difficult to reach areas by increasing flexibility for parties who wish to provide service in these regions.

Today's action also takes several steps to improve the climate for broadband investment in areas served by smaller incumbent carriers known as "rate-of-return" carriers. First, the item modifies or eliminates rules established in the 2011 reforms that are not serving their intended purpose. Second, in a Further Notice of Proposed Rulemaking, the item proposes to establish a Connect America Fund for rate-of-return carriers and seeks comment on how to do so within the current budget for the program, and how to provide rate-of-return carriers with a way to transition to new forms of support.

The FCC's unanimous 2011 reforms aimed to make the universal service fund fairer for all consumers and businesses, which pay for the fund through fees on phone service. Among reforms to improve fiscal responsibility was the phase-out of excessive subsidies that allowed some rural companies to charge rates vastly lower than those paid by the average consumer, whether living in rural, suburban or urban areas. The FCC agreed to ease the impact of these changes for customers of companies receiving excessive subsidies by delaying the rule until January 2015 and phasing in the full impact of that rule over a multi-year period, and exempting services provided to Lifeline subscribers to ensure that consumers in rural America with fewer financial resources at their disposal will not be affected.

Action by the Commission, April 23, 2014, by Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, and Seventh Order on Reconsideration (FCC 14-54). Chairman Wheeler, Commissioners Clyburn, and Rosenworcel with Commissioner Pai approving in part, dissenting in part and Commissioner O'Reilly approving in part, concurring in part. Chairman Wheeler, Commissioners Clyburn, Rosenworcel, Pai and O'Reilly issuing statements.

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