



FEDERAL COMMUNICATIONS COMMISSION APRIL 27, 2011 WORKSHOP
TRANSITIONING UNIVERSAL SERVICE TO A
TECHNOLOGY NEUTRAL CONNECT AMERICA FUND
SUMMARY

- The Commission's proposals to reorient the High-Cost fund and create the Connect America Fund (CAF) provide a good starting point to achieve universal broadband service; ACA believes that through the refinements and targeted rebalancing proposed in its comments, the Commission can more efficiently and effectively achieve its public interest objectives.
- The Commission should cap the overall budget for the CAF and any existing high-cost programs at the year-end 2010 High-Cost fund level. The High-Cost fund, which has grown enormously since 1996, has become increasingly costly to consumers. Even with a hard cap, the year-end 2010 funding level for CAF will be sufficient to transition from the current support mechanisms and allow the Commission to meet its universal broadband service goal.
- The Commission should create the CAF to replace over time support provided by the High-Cost fund – with appropriate transition mechanisms to ensure no household loses access to voice service. The CAF should initially focus on: (1) providing capital grants to a single provider – distributed through reverse auctions – to extend fixed broadband services to unserved areas; and (2) implementing the proposed Mobility Fund to address immediate mobile coverage issues.
- Funding the CAF should be achieved by: for larger telephone companies (those with more than 100,000 lines in aggregate nationwide), phasing down interim High-Cost support and eliminating current support in areas (census blocks) where there are competitors providing service that do not receive High-Cost support; and, eliminating the identical support rule as proposed by the Commission. Such steps should produce initial funding for the CAF in excess of \$500 million annually – with this amount expected to grow to approximately \$1.5 billion annually.
- Although the CAF should be available to both fixed and mobile broadband providers, the Commission should allocate separate support for each within the total CAF because the performance, coverage, and reliability capabilities of fixed and mobile differ significantly.
- CAF (broadband) support should be precisely targeted to areas where at least 90 percent of the households do not have access to broadband service at speeds at least equal to a national average broadband speed, which initially should be set at 4 Mbps (actual) downstream and 1 Mbps (actual) upstream. The Commission should aggregate unserved census blocks into areas for auction. Auctions would occur first in unserved areas where larger telephone companies currently provide voice service.
- For smaller telephone companies, those with fewer than 100,000 lines in the aggregate nationwide, the Commission should offer them a right of first refusal to continue to draw from the High-Cost fund for a period of eight years so long as they agree to provide broadband service in all their service areas at specified minimum performance levels. At the end of that period, High-Cost funding to these providers would sunset, and the Commission would undertake the process of eliminating support where competitors not receiving support provide service and auctioning support in unserved areas.