FCC Workshop on ICC and Universal Service Reform
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1. **Reverse auctions are a risky means of awarding support, especially in areas with existing infrastructure.**
   - Bidders with existing infrastructure have more at risk, and therefore a different risk profile,than bidders without existing infrastructure.
   - If stranded investments are not recovered, carriers will be reluctant to make future investments, the cost of capital for rural investments will increase, and the notion of a social compact will have been violated.
   - While reverse auctions may be appealing theoretically, the administrative costsof conducting a real-life auction makes them less desirable. In the United States, evolving service definitions, rapidly changing technologies, multiple existing infrastructures, and inconsistent service areas make auctions extremely complicated in reality.
   - Allowing bidders to self-define service areas could leave substantial portions of rural America behind and will unfairly disadvantage small providers.
   - Selection of the winning bidder based on the cost per unit solely, rather than level of service as well, will bias the technology selection toward satellite or wireless, even though FTTP or other fixed network delivery methods may be the lowest cost technology long-term and the most scalable.
   - Service quality will suffer, as bidders cut costs. If auction winners go bankrupt, customers will be without a service provider.
2. **Targeting support to the areas where there is no business case or where no provider can provide service without support may be conceptually appealing; the difficulty is in the mechanics.**
   - The disaggregation of support will result in higher overall support needs.
   - In Nebraska, we receive support based on a density-based model, which generally only provides support for our rural areas. This method targets support to areas where there is no business case to provide service.
   - Tying targeting to competitive presence alone, rather than the characteristics of the area served, could substantially complicate targeting.
3. **Companies on rate-of-return regulation have deployed broadband to over 92% of their customers. Such a success story should not be abandoned in favor of untested reverse auctions or cost models.**
   - The Commission has expressedconcerns with rate-of-return regulation, such as incentives for accelerated investment, as well as high investment and expense levels. The FCC's concerns should be addressed directly through capital and operating expense constraints.
   - If the FCC adopts either reverse auctions or a yet undefined cost model with ROFR, uncertainty will increase, which will stifle investmentand run the risk of creating new "unserved" areas where service exists today.
   - With proper constraints, rate-of-return regulation provides the confidence and appropriate incentives to encourage investment and responsible upgrades, which is the result the FCC is seeking.