



National Broadband Plan
The Good, the Bad and the Ugly
... and the Good

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Agenda

- The good
- The bad and the ugly
- ...and the good

National Broadband Plan

The Good

- Recognizes importance of broadband service
- Sets ambitious goals
 - Promote world leading mobile broadband
 - Foster competition and maximize benefits
 - E.g., Pole attachments, set top boxes
 - Advance and secure public safety communications
 - E.g., First responder access to nationwide wireless network
 - Increase broadband access and adoption

National Broadband Plan

The Good ...Maybe

- Considers funding middle mile costs, **however...**
- Suggests continuing support may be available to areas already served, **however...**
- Considers expanding the USF contribution base, **however...**
- Considers addressing access arbitrage and VoIP issue, **however...**
- Recognizes the positive affect video bundles have on broadband adoption, **however...**

National Broadband Plan

The Bad and the Ugly

- The Plan fails to set adequate and comparable speed targets - **25 times slower** in rural areas areas
 - Deepens the digital divide
 - Reduces education and economic opportunities
 - Threatens consumer welfare
 - Limits rural consumers' use of many current and future internet applications and services
 - Violates the Telecommunications Act (section 254)
 - Rural service must be "reasonably comparable to those services provided in urban areas"

National Broadband Plan

The Bad and the Ugly

- The Plan fails to recognize the positive affect current high-cost USF programs have had on broadband deployment in rural areas
 - The Plan states USF must “shift from supporting legacy telephone networks to directly supporting high-capacity broadband networks”
 - **The Associations** – Current mechanisms have enabled impressive rural broadband availability via the deployment of multi-use networks
 - **Adapt existing programs to the broadband environment**

National Broadband Plan

The Bad and the Ugly

- The Plan proposes to CAP future USF funding at 2010 levels
 - Could lead to a **90% reduction** in RLEC USF!
 - Significant increases consumer rates
 - Likely cripple RLEC's ability to meet its Carrier of Last Resort (COLR) responsibilities
 - Violates the Telecommunications Act (section 254)
 - Support should be "specific, predictable, and sufficient"

National Broadband Plan

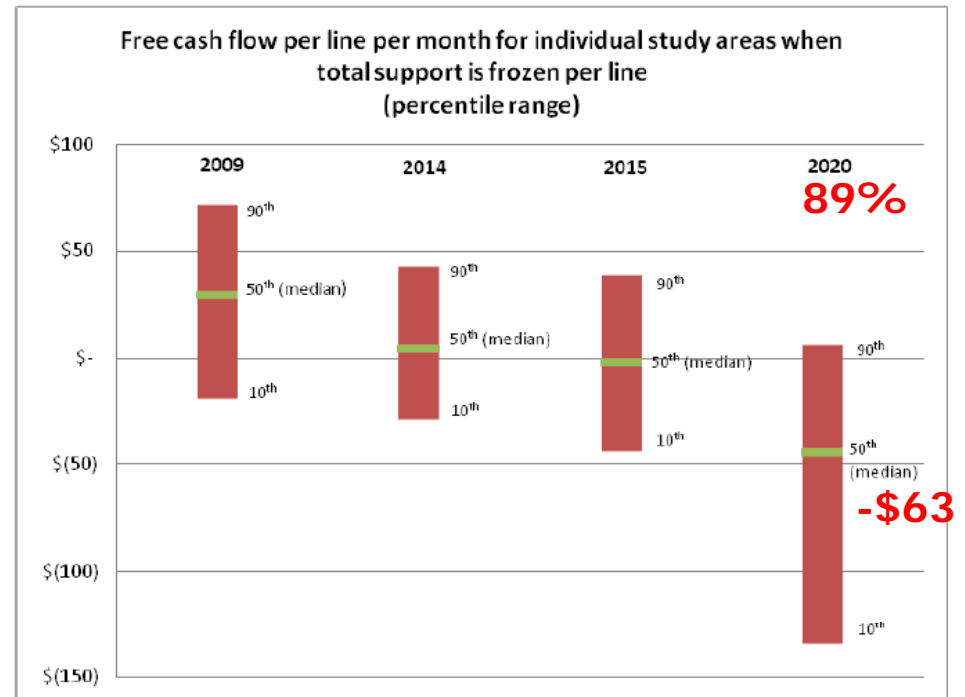
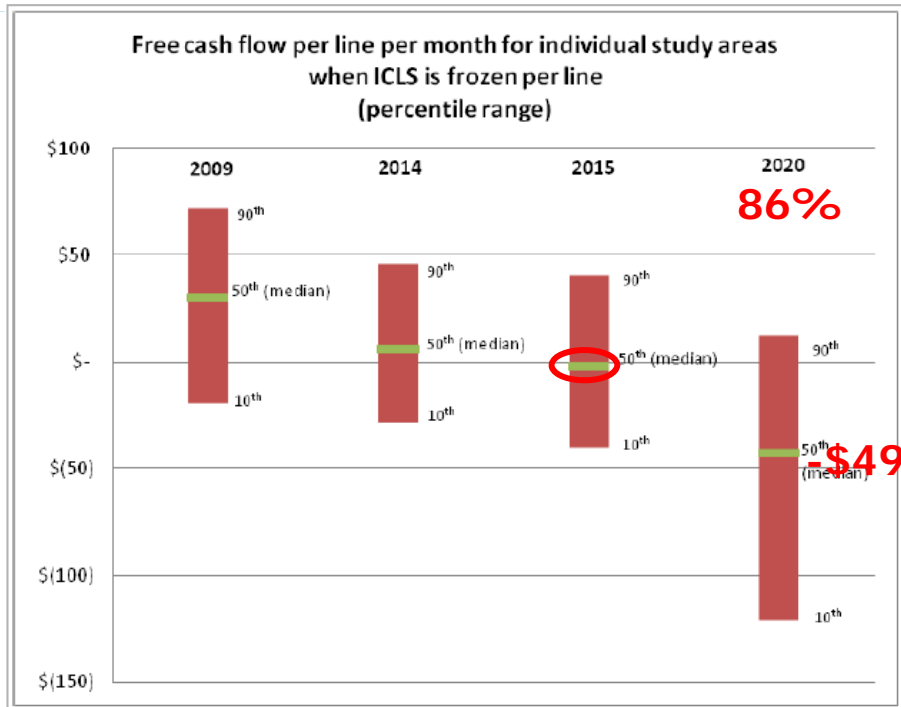
The Bad and the Ugly

- Shift \$15.5 billion from current programs to the Connect America Fund
 - Eliminate Interstate Access Support and CETC support
 - **Freeze ROR RLEC's Interstate Carrier Common Line (ICLS) support**
 - **Eliminate all high-cost programs by 2020**
 - Dismantles existing programs before determining how future mechanisms will work
 - **Associations:** Jeopardizes existing networks and future broadband deployment and investment

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The Bad and the Ugly

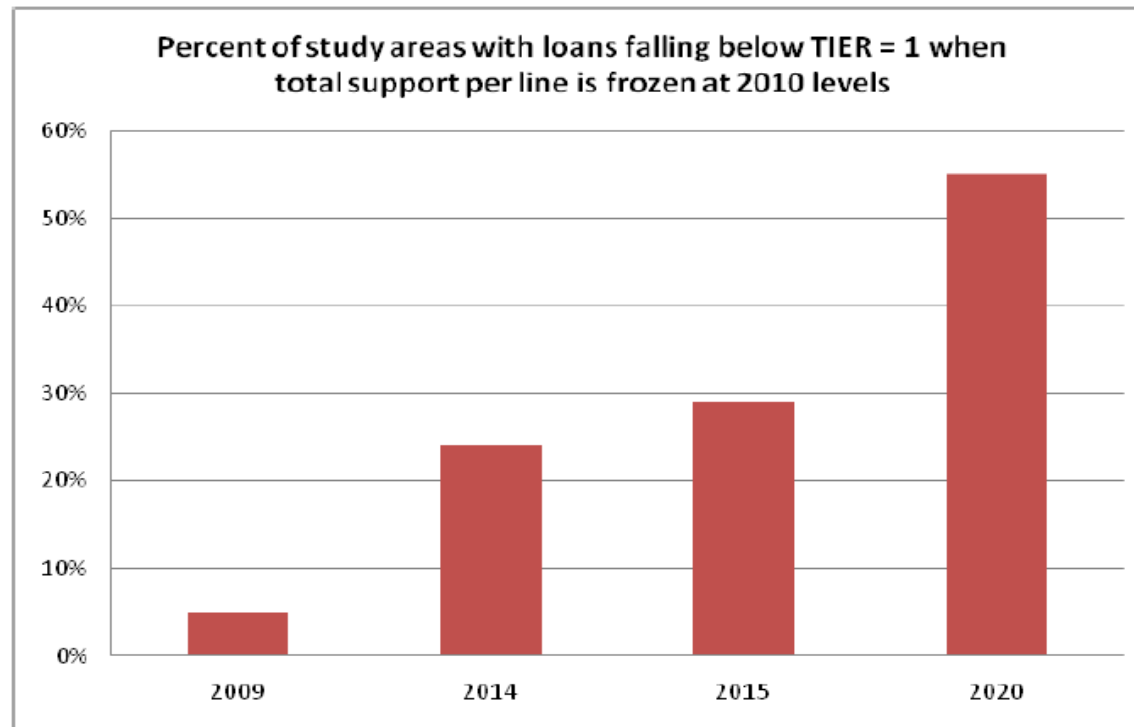
- Proposals to freeze existing support on a per line basis will severely affect the financial health of RLECs



National Broadband Plan

The Bad and the Ugly

- Proposal to freeze support on a per line basis will also affect RLEC's ability to obtain or service loans



Times Interest Earned Ratio (TIER) is a measure of interest coverage from operations used by RUS to assure adequate loan security. For loans, RUS regulations specify a minimum ratio of 1.0 is required as a loan guarantee

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The Bad and the Ugly

- Proposes the use of market based distribution mechanisms (**reverse or procurement auctions**) to determine support recipients
 - Stifle network investment
 - Underbidding may result in poor service quality
 - May leave some rural areas without a suitable COLR
 - Reverse auctions abandoned by RUS and NTIA
 - **The Associations:** Base support on actual costs

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The Bad and the Ugly

- Proposes shifting RoR RLECs to incentive regulation
 - Replaces regulation with a proven track record of success in favor of one that does not
 - No evidence RoR regulation is wasteful, inefficient or that it stifles competition
 - RoR regulation critical to obtaining loans and capital
 - Shift would destabilizes pooling
 - **Associations:** Develop optional approaches to create additional incentives with RoR regulations

National Broadband Plan

The Bad and the Ugly

- The Plans proposes a forward looking economic cost model to target CAF support
 - BAM* contains numerous faulty assumptions and lacks transparency
 - Overestimates wireless capability
 - Inconsistent with good engineering practices
 - Fails to address middle mile capacity issues
 - Assumes existing investment requires no cost recovery
 - **Associations:** Base rural support on actual costs

National Broadband Plan

The Bad and the Ugly

- The Plan fails to offer adequate revenue replacement for minutes-of-use based Intercarrier Compensation phase out
 - Proposes replacing lost revenue by increasing rates assessed to end users
 - Local service rates or the interstate Subscriber Line charge would need to be increased between \$1.46 and \$64.65 per line per month *
 - **Associations:** Include adequate replacement mechanism in USF funding

National Broadband Plan ***...and the good***

- The National Broadband Plan (NBP) is only a set of proposals for future broadband policy; it is not yet a series of rules
 - Not self executing
 - It is not too late to positively affect the Plan's rule making procedures!

National Broadband Plan ...and the good

- “Rural Group” formed (NECA, NTCA, OPASTCO, WTA and the Rural Alliance)
 - Draw attention to harmful provisions of the NBP
 - Work with the FCC to identify constructive alternatives
 - Simply saying “no” is not an option
 - Conduct unified “Hill” advocacy efforts – speak with “one rural voice”
 - Involve members companies and other stakeholders and assist them with their advocacy efforts

National Broadband Plan ...and the good

- What can you do?
 - Provide data
 - Educate employees and directors
 - Reach out to local business and government leaders
 - Discuss what NBP will mean to rural America
 - Reach out statewide
 - Write to the FCC and Congress
 - Encourage subscriber's and stakeholders to do the same

National Broadband Plan ...and the good

- **Advocacy tools** (Visit Associations' websites)
 - Potential stakeholder lists
 - Talking point outlines
 - PowerPoint presentations
 - Draft letters
 - Draft comments
 - Draft op-ed pieces
 - An on-line library of letters, comments, articles, etc.

National Broadband Plan Summary

- While well intentioned, the NBP contains many provisions that will harm, rather than advance, rural broadband deployment
- The *Associations' Rural Group* was formed to point out harmful provisions of the Plan and work with the FCC to identify constructive alternatives to achieving the Plan's goals
- RLECs must get involved in NBP advocacy efforts to assure the Plans goals are met in rural America