

**STATEMENT OF
CHAIRMAN TOM WHEELER**

Re: *Connect America Fund*, WC Docket No. 10-90, *ETC Annual Reports and Certifications*, WC Docket No. 14-58, *Rural Broadband Experiments*, WC Docket No. 14-259.

Next month, I will be travelling to Kentucky for the second time this year. On my first trip in February, I visited the town of McKee where there is now fiber to every home and business in the county and they've adopted the nickname, "Silicon Holler." In Hazard, Kentucky, I had the privilege to meet a former coal miner who is now working as a coder in the innovation economy. I am grateful for these chances to learn first-hand about digital opportunities and connectivity challenges in rural communities. I also appreciate these opportunities to spread the word about the Commission's recent efforts to expand broadband access in rural America, because it's a story we should be proud to tell. With today's Order establishing rules for \$2 billion in targeted investments in broadband deployment, that positive story gets even better for rural America.

Before the adoption of the modernization Order in 2011, which established the Connect America Fund, the Universal Service Fund was outdated and inefficient. Today, it's the opposite – a fiscally responsible program focused on broadband that targets resources where they are most needed, with the flexibility to keep pace with market changes. As a result of these modernizations and reforms, the Universal Service Fund is now a key part of the solution to our nation's digital divide problem.

Last year, the nation's largest carriers accepted \$9 billion from the new Connect America Fund to expand broadband to 7.3 million rural Americans. And this March, the FCC reformed its broadband support for the nation's smallest carriers, which will provide \$20 billion over the next 10 years.

But our reforms go beyond simply repurposing support for telephone service to ensure broadband access. They crack down on waste and aim to maximize efficiency. There is no more proven tool for driving efficiency than competition.

Today's new rules would allocate more than \$2 billion over the next decade in Connect America Fund support for rural broadband through competitive bidding. The item establishes rules of the road for an auction that will harness market forces to allocate funding to expand broadband in targeted rural areas where the need is greatest. The auction seeks to expand service to unserved areas in states where the "price-cap" carriers declined last year's Connect America Fund offer. Also included in the auction are additional locations with extremely high deployment and operating costs. Ultimately, the power of competitive bidding will hopefully spark robust broadband deployment and quality service offerings across rural America in the most cost-efficient way possible.

Recognizing the diverse challenges inherent in deploying broadband in rural America, the Order sets robust yet flexible standards for broadband deployment. To encourage a broad range of bidders in the auction, we establish technology-neutral performance tiers with varying levels of speed, usage allowances, and latency. More bidders means a more competitive auction. And that's a good thing. But those bidders should compete on both cost *and* performance. To ensure that rural Americans, like those in McKee Kentucky, can benefit from the innovation and advances in technology available in urban areas, we will give more weight to bids that offer better performance.

To promote accountability, the Order establishes network buildout requirements and reporting obligations to enable the Commission to monitor the progress of deployment. The new rules also create a framework for a Remote Areas Fund auction in extremely high cost areas that receive no bids in this auction.

Today's Order is just the first step. We also begin the process of seeking comment on auction procedures in a Further Notice focused on key issues. We ask about how best to weight bids to ensure that rural consumers are not left behind but have the opportunity to receive the highest quality broadband service possible within our finite universal service budget. We ask about ways to design the auction to

advance broadband deployment on tribal land. And, we ask about the concerns that Senator Schumer and others have raised about the equitable allocation of CAF funds among the states, particularly those states in which an incumbent price cap carrier declined to accept a substantial offer of support. In my view, such a decision by a price cap carrier in no way diminishes our universal service obligations to provide support to connect the unserved communities in those states. We also ask about ways to coordinate our Phase II efforts with state-based initiatives to advance broadband deployment. We take these concerns seriously and, as the record develops, will be actively engaged in the process of finding the best approach.

Thank you to the Wireline Competition Bureau for their tireless work on this item.