

**STATEMENT OF
COMMISSIONER AJIT PAI
APPROVING IN PART AND CONCURRING IN PART**

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.

Five years ago, the Commission made a bipartisan promise to the American people to launch the Connect America Fund. We did so to support the deployment of high-speed broadband throughout rural America.¹ Today, we adopt a bipartisan compromise that advances the Fund’s competitive bidding process.

Several aspects of this *Order* bode well for the auction. *First*, we adopt rules designed to induce new entrants like wireless Internet service providers, small-town cable operators, and electric utilities to participate. We let financially secure community banks, as well as traditional rural lenders like CoBank and the National Rural Utilities Cooperative Finance Corporation, underwrite bidders because small businesses don’t have access to the same capital markets as large companies.² We postpone certain filing deadlines until after the auction so that expensive accounting doesn’t bar participation and competition.³ And we treat small carriers using unlicensed spectrum on par with larger licensees. These were significant changes from the approach originally contemplated, and so I appreciate the support of Commissioners Clyburn and Rosenworcel for the goal of maximizing participation in this auction.

Second, we abandon the “multi-step approach” to competitive bidding that was proposed in the *Seventh Recon Order*.⁴ At the time, I worried that such an approach “excludes any mention of evaluating bids based on their efficiency (i.e., choosing bids that cover the highest-cost areas for the least amount of funding) and . . . includes the option for bids that meet ‘relaxed performance standards’ (i.e., choosing bids that don’t offer 10 Mbps or even 4 Mbps down).”⁵ Instead, we aim here to maximize the broadband bang we get for our universal service buck by establishing a flexible weighting system that should incentivize carriers to deploy faster service to rural America at the lowest possible price to the taxpayer.⁶

Third, we adopt rules that otherwise track the structure of the competitive bidding process that I asked my colleagues to support in the *Seventh Recon Order*. We proposed “reserve prices based on the Connect America Cost Model,”⁷ and that’s what we’re doing.⁸ We proposed “the total of all bids accepted nationwide be no greater than the total Connect America Phase II budget that remains after the state-level election process,”⁹ and that’s what we’re doing.¹⁰ We proposed “a multi-round auction so that

¹ *Connect America Fund et al.*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 0951, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*Universal Service Transformation Order*).

² *Order* at paras. 127–28.

³ *Order* at paras. 102–03 (postponing the requirement to submit audited financial statements until the long-form stage).

⁴ *Connect America Fund et al.*, WC Docket No. 10-90, 14-58, 07-135, WT Docket No. 10-208, CC Docket No. 01-92, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, 7125, para. 231 (2014).

⁵ *Id.* at 7252, n.6 (Statement of Commissioner Ajit Pai, Approving in Part and Dissenting in Part).

⁶ *Order* at paras. 14–37.

⁷ *Id.* at 7124, para. 227.

⁸ *Order* at para. 90 (“We will use the CAM to set reserve prices for the Phase II auction.”).

⁹ *Seventh Recon Order* at 7125, para. 229.

¹⁰ *Order* at para. 79.

competitive bidders have the opportunity to reevaluate their bids in light of the actions of others,”¹¹ and that’s what we’re doing.¹² And though we do not yet adopt package bidding for the auction,¹³ the consensus is certainly heading in that direction.

There’s more to like. But cataloging every change since circulation would be painstaking work. Instead, allow me to thank Commissioner O’Rielly for speaking out about his principles for the auction last December.¹⁴ His framework in fact became the starting point for many of the Commission’s deliberations. Additionally, he pushed early and persuaded the floor after circulation of this *Order* for appropriate changes that were ultimately adopted. I do not think we could have gotten to a bipartisan compromise without his tireless advocacy within the building and without.

To be sure, I don’t agree with every aspect of this *Order*. For example, I had hoped to follow through much more quickly on our five-year-old promise to adopt these competitive bidding rules. And I would have preferred to give bidders even more flexibility and incentive to offer the very best service possible to rural America. But that is the nature of compromise, and I will accordingly vote to approve in part and concur in part.

¹¹ *Seventh Recon Order* at 7125, para. 230.

¹² *Order* para. 88. Notably, the *Order* reserves the question of whether a simultaneous multiple-round auction (like most spectrum auctions) or a clock auction (like the broadcast incentive auction) will better enable bidders to adjust “their bidding strategies to facilitate a viable aggregation of geographic areas in which to construct networks and enable competition to drive down support amounts.” *Id.*

¹³ *Seventh Recon Order* at 7125, para. 228.

¹⁴ Commissioner Michael O’Rielly, FCC, *A Starting Point for CAF Post-ROFR Auction*, <https://www.fcc.gov/news-events/blog/2015/12/10/starting-point-caf-post-rofr-auction> (Dec. 10, 2015).