

BACKGROUNDER: THE 5G FUND

\$9 Billion Plan to Bring Next-Generation Wireless Service to Rural America, Supporting Connectivity Needs of American Farms and Ranches

Overview

Chairman Pai's top priority is bridging the digital divide, including by ensuring that rural Americans see the benefits of 5G, the next generation of wireless connectivity. In particular, Chairman Pai is committed to using the Universal Service Fund to ensure that parts of rural America are not left behind when it comes to 5G.

Since late 2018, major U.S. mobile wireless carriers have lit up 5G networks covering more than 200 million Americans. T-Mobile has committed, as part of its recently-approved transaction, to deploy 5G service to 99% of Americans within six years, including 90% of those living in rural America. But there are still likely to be some rural areas where there is insufficient financial incentive for mobile wireless carriers to invest in 5G networks, and those communities may otherwise be excluded from the benefits of 5G for years to come.

To address this problem, Chairman Pai, on April 1, 2020, circulated a draft Notice of Proposed Rulemaking to his colleagues that would establish a \$9 billion 5G Fund. It would complement the Rural Digital Opportunity Fund, a \$20 billion effort to bring fixed broadband services to millions of unserved rural homes and businesses. The Commission will vote to propose rules for the 5G Fund at its April 23 Open Meeting.

The 5G Fund would take the place of the Commission's previous plans to establish a Mobility Fund Phase II, which would have funded 4G LTE in rural areas unserved by 4G LTE. The Commission paused the Mobility Fund Phase II process due to inaccuracies in wireless carriers' reported coverage areas. At this point, with the dawn of the 5G era upon us, it no longer makes sense to begin anew a process to fund 4G LTE over the next decade, which would leave rural America with a service that would be outdated before the program's conclusion.

The 5G Fund would be a Universal Service Fund program subject to all the rules and regulations that apply to USF programs, including the Commission's supply chain security rules.

Reverse Auction

The 5G Fund would allocate funding through a two-phase, multi-round reverse-auction format to encourage competition and ensure that Americans are connected in an efficient and cost-effective manner.

- In Phase I, the FCC would target at least \$8 billion of support to rural areas of our country that would be unlikely to see timely deployment of 5G service absent high-cost support or as part of T-Mobile's transaction-related commitments.
- In Phase II, the FCC would target universal service support to bring wireless connectivity to harder to serve and higher cost areas, such as farms and ranches, and make at least \$1 billion available specifically aimed at deployments that would facilitate precision agriculture. Phase II would also include any unawarded funds from Phase I.

By proposing to rely on a two-phase process, as the Commission did with the Connect America Fund and the Rural Digital Opportunity Fund, we can commence a Phase I 5G Fund auction while also ensuring that Phase II would cover harder-to-serve areas so that such areas are not left behind. This approach would also allow us to build upon future recommendations from the Commission's Precision Agriculture Task Force to more accurately target Phase II support toward services that will meet the growing needs of America's farms and ranches.

Speed, Performance, and Buildout Requirements

Under Chairman Pai's draft Notice, the 5G Fund would require the deployment of networks that meet at least the 5G-NR (New Radio) technology standards developed by the 3rd Generation Partnership Project (3GPP) with Release 15.

- The Notice seeks comment on options for minimum speed requirements, including minimum download speeds of 50 Mbps or 35 Mbps.
- Winning bidders would be required to offer 5G service in at least 40% of their area within three years, to at least 60% within four years, and to at least 80% within five years.

Eligible Areas for Funding

The 5G Fund would target funding to areas that need Universal Service Fund support for 5G. The Notice seeks comment on different methods of determining eligibility, including one that would allow the Commission to hold the Phase I auction next year. It also seeks comment on ways to prioritize support, including prioritizing areas that have historically lacked 3G or 4G LTE service.

Given the distinct challenges of deploying mobile service on Tribal lands, the FCC proposes to incorporate a Tribal lands preference into the auction. Specifically, the Fund would reserve up to \$680 million of the proposed \$8 billion Phase I budget for eligible areas in Tribal lands, and the FCC would consider those bids separately from the rest of the budget.