

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

Re: Connect America Fund, WC Docket No. 10-90; Universal Service Reform – Mobility Fund, WT Docket No. 10-208

Through Mobility Fund Phase II, the Commission seeks to expand 4G LTE coverage to areas that are unserved or would be uneconomic to serve absent a subsidy. While I raised concerns in the past regarding whether a separate technology-specific fund was the best way to go, some of the decisions made in the 2011 Connect America Fund item have proven too difficult to revisit, even if more logical outcomes and greater efficiencies were possible. For that reason, I approached this item with the best intentions and the goal of making the fund as functional and economical as I could.

Accordingly, I generally support this order and further notice, which contains a number of improvements I requested to the order that had circulated last year. Among other things, this item commits to conduct a nationwide, multi-round reverse auction, shifts from road miles to a better though not perfect metric of geographic areas, ensures that there is no duplication between Mobility Fund Phase II and the Remote Areas Fund (RAF), and provides for greater input from the full Commission on future decisions.

I also appreciate the willingness of my colleagues to make additional changes to help promote the success of the program. First, a critical component of any subsidy program is determining which areas should be eligible for funding. Decisions premised on inaccurate data or faulty assumptions could result in either wasteful overbuilding or a loss of service for consumers. For this reason, as we have reformed each of the high-cost universal service programs, we have included a challenge process to ensure that these vital decisions are based on the best possible data while not unduly burdening participants or staff. Moreover, in order for a challenge process to be successful, the standards and acceptable forms of evidence must be clearly spelled out with enough time for participants to be able to assemble the data or evidence to support their filings. Therefore, I am pleased that we will now seek further comment on the challenge process. I, too, want to move forward quickly with the auction, but I expect that by taking time to resolve these questions now, we will avoid mistakes and delays at the back end. Second, I sought to ensure that the order contained sensible buildout requirements, recognizing the limitations of our overall funding capabilities and the territory to be covered. While I certainly want to maximize the areas and consumers that will receive service, if the requirements are unrealistic, we run the risk that potential bidders will decide not to participate or that providers will have to return funding several years from now. Third, the Commission commits to adopt performance goals and measures so that we can evaluate the effectiveness of the program. Finally, I support Commissioner Clyburn's focus on setting reasonable phase downs, which also complements my request that they not be too long.

This notwithstanding, I continue to have significant reservations about certain aspects of the order, such as locking in a 10-year term before we have made other key decisions. Moreover, the tribal provisions would have benefitted from more thought regarding how they interact with other universal service programs and decisions, such as the RAF. These decisions are likely to lead to greater inefficiencies than had we taken the time to find appropriate compromises based on hard data and facts.

On balance, however, this order and further notice is a relative step in the right direction. I am hopeful that with additional input from interested parties on the remaining decisions, and further collaboration with my colleagues, the Commission will complete Mobility Fund Phase II in a manner that maximizes this funding to the benefit of rural consumers.