

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

Re: *The Uniendo a Puerto Rico Fund and the Connect USVI Fund, et al.*, WC Docket No. 18-143; *Connect America Fund*, WC Docket No. 10-90; *ETC Annual Reports and Certifications*, WC Docket No. 14-58.

This item is a well-intended effort to reform the Commission's legacy approach in Puerto Rico and the U.S. Virgin Islands, where leadership has historically been poor, and providers have earned questionable reputations. While I support many parts of the draft and commend the Chairman's office and staff for their hard work, I am concerned about certain departures from sound universal service funding practices, as well as some of the precedent we set in the mobile support context.

A fundamental tenet of the Commission's recent universal service policy is that scarce funding should not be spent to overbuild existing networks. Nonetheless, the draft determines that an exception is warranted in this case and therefore designates all areas of Puerto Rico and the U.S. Virgin Islands—no matter the state of their networks—eligible for support. While I recognize the interest in distributing funding expeditiously and promoting resiliency, I would respectfully argue that this is a big mistake. At the very least, there should be *some* guardrail mechanism to prevent duplication and waste. After all, not only will Stage 2 funding distort non-subsidized competition and undermine investment in already-served areas, but carriers awarded Stage 2 support may end up directly competing against those that received funding under Stage 1. We've, of course, seen the use of USF funding to overbuild privately-funded networks, as well as duplicative funding between USF programs, but authorizing a USF program to undermine its *own* funding projects takes overbuilding to a whole different level.

Ultimately, even though our current deployment data is far from reliable, and a challenge process would create delays, departing so drastically from the Commission's long-held approach to overbuilding in the high-cost program is hard to justify. Moreover, it directly undercuts repeated Congressional admonishments against government-funded overbuilding.

Further departing from the Commission's usual high-cost framework, the draft also lowers the high-cost funding threshold across the board and eliminates any limit on support for extremely high-cost locations. While Puerto Rico certainly has a challenging economy and is prone to debilitating hurricanes, it doesn't seem fair to provide so much extra support in this instance if we're not willing to make the same adjustments to similarly-situated disaster-prone areas of the continental U.S.

On another point, I have been assured that the one-round, sealed-bid process will result in winning prices below our established reserve ones, at least in some areas, such that overall spending will be well under the topline budget. Even if that ultimately proves true, I am troubled that we depart from our tried-and-true multi-round reverse auction approach, that we used in CAF II and most recently proposed in the Rural Digital Opportunity Fund proceeding. The Commission has repeatedly endorsed simultaneous multi-round auctions over other bidding mechanisms, as the market approach provides the best way to ensure price discovery, value maximization, bidder flexibility, and minimization of the overall subsidies. Adopting a single-round process—especially one subject to so much subjectivity on the part of bid reviewers—therefore seems to take multiple steps backward.

On the mobile side, while I would have much preferred a reverse auction there as well, I am willing to stomach the possibility that a different method is more appropriate for such a short period. What I do find troubling, however, is our decision to allocate a portion of mobile support to 5G deployment, rather than to the deployment of mobile service at an objective speed threshold, and the apparent codification of a 5G standard. As a matter of public policy, the FCC has always left standard-setting to the more appropriately-situated private sector and avoided, as much as possible, adopting specific standards into our rules. I also take issue with our decision to mandate DIRS reporting, which seems fundamentally at odds with the voluntary nature of that data system.

Despite some real issues, this item will hopefully make considerable progress in overcoming the inefficient and unaccountable legacy system in Puerto Rico and the U.S. Virgin Islands. I will be carefully watching the outcome of the competitive bidding process and vote to approve.