

Mid-State Consultants, Inc. Newsletter, 4th Quarter 2014



THE FCC CONTINUES TO BE A BIG PART OF THE STORY. THIS IS A LONG NEWSLETTER, BUT FILLED WITH THINGS WE THINK ARE IMPORTANT AS WE START A NEW YEAR.

In a November 14th FCC announcement, FCC Chairman Tom Wheeler said “It’s time for America’s telephone system to make the shift to a wired and wireless broadband digital Internet protocol-based standard.” In a commentary released after their last December meeting, Chairman Wheeler said, “99% of Americans living in urban areas have access to fixed broadband speeds of 10 Mbps/1 Mbps, and 52% [subscribe to at least these speeds]... [These will be the required broadband service speeds] as we transition to CAF Phase III, when all support in price-cap territories will be awarded through competitive bidding.” We think it won’t be long until the same speeds are required in Rate-of-Return areas.

These plans and procedures from the FCC could bring some real opportunities, but also some pitfalls. The following is our summary of some things we think are worth considering:

Net Neutrality and the Gig to the Home

The biggest issues may be predominantly marketing perceptions; the buzz phrase is now “Gig to the Home,” which no one really needs but people know that it means fast Internet and thus higher quality video services. Until recently, the FCC seemed to be pushing wireless solutions as cheaper and ‘just as good’. But a wireless Gig in the home as now being pushed by some Wi-Fi providers needs a fiber backbone. How to pay for the big backbone?

Fierce Telecom’s 12/1/2014 Newsletter included the statement, “AT&T has confirmed with the FCC that they will go forward with its plans to bring its FTTP ‘GigaPower’ service to 21 communities. AT&T had previously said that not having a clear picture about net neutrality will make it hard to commit capital to new fiber deployment.” AT&T seems to have bowed to market pressure, aka Google, and isn’t publicly worried about paying for FTTP.

What does this have to do with Net Neutrality? George Anders, writing in *Forbes* said “Google and Facebook now account for 50% of all Internet traffic. They are saying almost nothing about net neutrality. While everyone is shouting about last decade’s problems, the big guys are quietly creating the next decade’s solutions.” The big Internet content providers are building their own backbones and are cutting deals with CDNs (Content Delivery Networks). Many people seem to understand this and don’t mind, as long as Comcast and others can’t push their own content and limit other content. Thus, Net Neutrality may come to mean, “Last Mile Neutrality.” Does this sound like the Toll Equal Access arguments of the 80’s?

The long distance market really started to explode when secondary carriers could get access through Ma Bell to the ‘last mile’ connections into the subscriber’s homes. Was this a good thing? Toll rates dropped and phone companies worried, but usage exponentially expanded, making everyone happy.

Could the same thing happen with broadband? Perhaps, if the FCC will help fund it through the existing mechanisms, or by getting out of the way of new funding. The FCC would say this is exactly what they are doing with the CAF program and other initiatives.

e-Rate funding



Does your local school or library have a data center that looks like this?

From an *NTCA Advocacy* email on 12 Dec 14, “The FCC [adopted](#) an order aimed at addressing perceived ‘connectivity gaps’ by making more funding available for libraries and schools. The order raises the E-Rate program funding from the current \$2.4 billion to \$3.9 billion a year. The E-Rate order also includes measures intended to promote greater use of dark fiber ... and allows anchor institutions to construct private networks of their own where these are perceived as the most cost-effective option as compared to purchasing services from existing providers. The item provides an incentive for state support of last-mile broadband facilities through a match from E-Rate of up to 10% of the cost of construction of networks by schools or libraries.”

Many telcos are not e-Rate providers, but provide the backbone. Make sure you get the available funding, and keep the institutions from building over you with your own fiber. Whether you want to become an official provider or not may depend on what deals you can make with the schools and other eligible entities in your area.

Special Access Data Collection

The FCC is reviewing their current special access regulations for price cap carriers to determine whether they should be updated to reflect current market conditions. In order to do this, they have released an Order calling for the mandatory collection of data for “certain entities” that provide or purchase special access services in price cap areas. The level of detail requested in these types of reports is increasing by orders of magnitude.

Data submissions were originally due Dec. 15 but have been delayed to February 27th. Many telcos may require assistance with the shape file mapping and data requirements. More info:

<http://www.fcc.gov/encyclopedia/special-access-data-collection-overview-0>

The Rural Broadband Experiments – now it will be the basic program?

The ‘winners’ were recently announced. We were disappointed. The money doesn’t seem to be spread very widely. But the FCC’s order of December 18 indicates that the FCC sees this as very positive; many bids were for a lot less than the available CAF funds for those census blocks, and there were many types of networks proposed. We believe the next CAF auction will be ‘open’ for competitors. As much as \$2 Billion could be available and the timeframe could be just a few months from now.

Model-Based USF

The Bureau also announces (via public notice on Dec. 22) the availability of the first version of a model that could be used for rate-of-return carriers that voluntarily elect to transition to model-based support. The FCC intends this model to be a starting point.

Spectrum Auctions and FirstNet – Nationwide Wireless Broadband



On November 30, the NY Times Editorial Board said, “The eye-popping bids in the current wireless spectrum auction are being considered a testament to soaring demand for mobile Internet service. As

of last week, bids in the auction exceeded \$38 billion, far more than the \$10.5 billion reserve price set by the FCC.”

At least some of the proceeds from the auction are set to fund FirstNet, the proposed nationwide wireless network for First Responders, which seems to be moving slowly, if at all. One thing FirstNet has realized is that they will need lots of rural fiber backbone. The rural broadband experiment fund winners include several WISPs. We think the FCC sees these wireless service providers as ‘trailblazers’, establishing networks that will meet today’s needs but ultimately will need to be upgraded to FTTP.

RUS Community Connect Grant application deadline February 17, 2015.

This program is not yet funded, but we assume it will receive the same \$20 million as in the past. There had been rumors of much more funding, but we see no evidence of that. It is still an 85% grant, and has the same basic requirements. Perfect for some areas, unavailable for most. But it’s a ‘feel good’ program.



Additional FTTP-Affecting Details

The FCC Notice of Proposed Rule Making (NPRM) 14-185 includes the following:

Policies and Rules Governing Retirement of Copper Loops by Incumbent Local Exchange Carriers

The FCC wants to move beyond the copper era, and this appears to be another step in that direction.

The FCC is initiating a proceeding to examine whether to impose new backup power requirements for consumer devices. Per the NRPM:

“We are determined to ensure that these fundamental values [including competition, consumer protection, universal service, etc.] are not lost merely because technology changes. [We must] ensure reliable back-up power for consumers of IP-based voice and data services.”

We’re good with that, as long as it is properly funded.

Partially in response to these proceedings, the FTTH Council said:

“The Council will reach out to all members to see what additional costs, and therefore impediments, these proposed requirements might make on FTTH deployment.”

In summary, our colleague Tory Richtmyer said:

The theme seems to be, “less money in one program [RUS?], more programs that ‘feel good to the public’, such as Rural Health, Community Connect, CAF, and E-RATE, because who are the heartless people that could deny some poor country kids an education so they don’t have to live in the boonies any longer?” Then, only people who want to live here will. And we’ll have everything the big cities have, plus much more.