

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Establishing a 5G Fund for Rural America)	GN Docket No. 20-32
)	
)	

**COMMENTS OF
NTCA – THE RURAL BROADBAND ASSOCIATION**

NTCA – The Rural Broadband Association (“NTCA”) submits these comments in response to the Federal Communications Commission’s (“FCC” or “Commission”) Office of Economics and Analytics (“OEA”) and Wireline Competition Bureau’s (“WCB”) Public Notice seeking comment on the proposed adjustment factor values in the above captioned proceeding.¹

In its 5G Fund Notice of Proposed Rulemaking, the Commission proposed to incorporate an adjustment factor into its auction design and into the methodology for disaggregation of legacy high-cost support.² The adjustment factor is intended to ensure that the 5G Fund support and legacy support are distributed through auction processes to geographically and economically

¹ *Office of Economics and Analytics and Wireline Competition Bureau Seek Comment on Adjustment Factor Values for the 5G Fund*, Public Notice, GN Docket No. 20-32, rel. June 5, 2020 (“Adjustment Factor PN”).

² *Establishing a 5G Fund for Rural America*, GN Docket No. 20-32, Notice of Proposed Rulemaking and Order, FCC 20-52, ¶¶ 66, 202 (adopted April 23, 2020) (“5G Fund NPRM”).

diverse areas³ and to make the most difficult areas to serve more attractive at auction in order to encourage more bidding for those areas.⁴

NTCA supports the Commission’s attempt to target support to the most difficult to serve rural areas and to promote “better distribution of limited high-cost universal funds”⁵ as part of its auction design, but observes that an adjustment factor is unnecessary specifically as part of the “5G Small Carrier Fund” concept suggested by NTCA and others to enable a transition of providers receiving legacy support to 5G deployment.

I. THE COMMISSION SHOULD NOT APPLY AN ADJUSTMENT FACTOR TO DISAGGREGATE LEGACY SUPPORT

In its 5G Fund NPRM, the Commission proposed to disaggregate legacy high-cost support in the transition of legacy high-cost support to 5G support. It proposes an adjustment factor to determine how support will be treated during the transition across different types of areas, for example, across eligible and ineligible portions of the legacy support area.⁶ While a disaggregation methodology will help to ensure that it is not simply the case that the “most attractive” eligible areas will be served first through a competitive bidding structure, leaving more rural and remote areas lacking service and making the business case to serve those remaining areas even harder, it is important to note that such a methodology is unnecessary in the context of an “initial stage” transition for legacy providers as suggested by NTCA and others in comments.

³ 5G Fund NPRM, ¶ 66.

⁴ Adjustment Factor PN, ¶ 1.

⁵ 5G Fund NPRM, ¶ 202

⁶ 5G Fund NPRM, ¶ 71.

Specifically, NTCA has proposed an initial phase of the 5G fund which would transition current small legacy wireless providers serving rural areas from legacy support to 5G Fund support in exchange for a commitment to upgrade facilities to 5G.⁷ During this phase of support, not only would it be unnecessary to utilize an adjustment factor, it would be counterproductive.

Legacy providers have served their territories for several years, and in some cases decades. They have been responsible stewards of the universal service fund and are intimately familiar with the territory to be served. Support adjustments for areas based on defined characteristics make sense in a bidding design that will cover hundreds of individual census tracts with many potential bidders. It offers information to bidders to enable them to make informed bidding decisions, eases administrative burdens and ensures targeted support. However, if the Commission transitions legacy support to 5G support as advocated by NTCA, only providers who are already serving areas will be eligible and only areas identified as rural will receive support based on individual need. The disaggregation methodology, even if appropriate and warranted in the context of an auction across such a broad set of areas, will in all likelihood miss the mark for providers who serve areas with widely divergent characteristics – and it is unnecessary in the structure proposed by NTCA and other commenters for the initial phase.

Legacy providers have the ability to inform the Commission of how their support is currently being used and should provide an estimate with supporting documentation of the cost of deploying a 5G network in accordance with Commission established benchmarks. The Commission will therefore have the ability to approve or deny support applications based on actual data for the specific areas to be served. Transitioning small legacy support recipients to a

⁷ See, Comments of NTCA, 5G Fund NPRM, GN Docket No. 20-32 (filed June 25, 2020).

5G fund based on current support levels and actual cost estimations, rather than model-based disaggregation, ensures a very efficient and targeted 5G deployment to some of the most rural areas, consistent with the Commission's goals. Rural deployment can then begin in other as the Commission finalizes service area maps and implements its bidding design and models, including the adjustment factors being considered here.

II. THE COMMISSION SHOULD NOT ESTABLISH AUCTION ADJUSTMENT FACTORS BASED ON DATA FROM THE MOBILITY FUND PHASE I AUCTION

The Commission bases its proposed adjustment factors in three models: the Entry Model, the Cell Density Model, and the Auction Bidding Model.⁸ The OEA and WCB state that all were equally considered in determining the adjustment factor values and that the middle ground of the three analyses were considered and rounded for administrative simplicity.⁹ The Auction Bidding Model used Mobility Fund Phase I sealed bid data to understand how terrain and other factors impact the bid amount requested by a carrier to deploy service. OEA and WCB state that they assumed a carrier's bid amount "is a function of its expected revenues, expected competition in the auction, and *expected costs*."¹⁰

While NTCA supports the Commission's use an adjustment factor in this context specifically, it cautions that relying on bids in the Mobility Fund Phase I auction may offer a distorted view of the factors to be considered for 5G fund bidding. Mobility Fund Phase I is not

⁸ Adjustment Factor PN, fn 40.

⁹ *Id.*

¹⁰ Adjustment Factor PN, ¶ 71 (emphasis added).

comparable to the 5G Fund and the bidding cost factors have shifted considerably since the auction in 2012.

Specifically, the Mobility Fund Phase I was an auction for one-time support for capital expenditures.¹¹ The 5G Fund is an ongoing 10-year support mechanism that is intended to provide funding for both capital expenditures and operational expenses. The decision-making process behind the bids for the Mobility Fund Phase I auction may bear little relation to the decisions for the 5G Fund and cannot be used for prediction with any degree of accuracy.

Furthermore, when the Mobility Fund Phase I was conducted, Huawei Technologies Company and ZTE Corporation were viable competitors in the wireless equipment space and offered low-cost deployment solutions. Those low-cost solutions almost certainly figured into some carriers' bid amounts. Today, due to national security threats, carriers are barred from purchasing or maintaining Huawei or ZTE equipment and services in their networks with federal funds, including the universal service fund.¹² Data collected from the Mobility Fund Phase I auction is therefore based on unique assumptions and is outdated. If the Mobility Fund Phase I auction results are to be used at all, they should not be given weight equal to physical, demographic and cell density characteristics.

¹¹ Mobility Fund Phase I Auction Scheduled for September 27, 2012 Notice and Filing Requirements and Other Procedures for Auction 901, AU Docket No. 12-25 (released May 2, 2012).

¹² *Public Safety and Homeland Security Bureau Issues Final Designations of Huawei Technologies Company and ZTE Corporation as Companies Posing a National Security Threat to the Integrity of Communications Networks and the Communications Supply Chain Pursuant to 47 CFR § 54.9*, PS Docket Nos. 19-351, 19-352, Public Notice, DA 20-690 (PSHSB June 30, 2020).

III. CONCLUSION

NTCA supports the Commission's attempt to target support to the most difficult to serve rural areas and to promote better distribution of limited high-cost universal funds as part of its auction design, but cautions that an adjustment factor should not be used in connection with an initial phase that would have legacy providers transition support to 5G deployment in advance of development of better maps and the conduct of a national auction.

Respectfully submitted,



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