

**BEFORE THE
NEBRASKA PUBLIC SERVICE COMMISSION**

In the Matter of the Nebraska Public Service
Commission, on its Own Motion, to Administer
the Universal Service Fund High-Cost Program.

Application No. NUSF-99

**COMMENTS OF CTIA – THE WIRELESS ASSOCIATION®
IN RESPONSE TO THE COMMISSION’S OCTOBER 15, 2014 ORDER
OPENING DOCKET AND SEEKING COMMENT**

I. INTRODUCTION

On October 15, 2014, this Commission issued its Order Opening Docket, Seeking Comment and Setting Hearing (the “Order”), initiating a proceeding “to consider certain modifications to the high-cost funding mechanism in the universal service fund program,” and in particular, with respect to price-cap carriers. In addition to generally seeking comment, the Commission issued several questions pertaining to specifics regarding possible reforms, and the relationship of the state fund to the federal Connect America Fund (“CAF”). On December 2, 2014, the Commission issued an Order extending the time for comment to January 14, 2015. CTIA-The Wireless Association® (“CTIA”) appreciates the opportunity to comment on this proceeding.

In these initial comments, CTIA endorses general guidelines for reform that the Commission should apply as it evaluates various approaches to Nebraska Universal Service Fund (“NUSF”) reform. CTIA supports the Commission’s efforts to reform the NUSF, especially as more consumers adopt wireless for their evolving telecommunications needs. To update the NUSF mechanism and better coordinate state funding with recent changes to federal high-cost

support, CTIA believes the Commission should ensure that any reforms to the Nebraska high-cost support mechanism meet the following criteria:

1. Any reforms to the NUSF should be consistent with the Federal Communications Commission's ("FCC's") Connect America Fund,
2. NUSF support should be limited to locations where no unsubsidized competitive broadband provider is offering service, and
3. Support should be allocated in a competitively- and technologically-neutral manner.

These principles, as further discussed below, will promote the efficient use of limited NUSF funding, while modernizing Nebraska's state fund to better account for changes in the telecommunications landscape and in the federal high-cost support program.

II. CTIA SUPPORTS THE COMMISSION'S EFFORTS TO REFORM THE NUSF AS MORE CONSUMERS ADOPT WIRELESS FOR THEIR TELECOMMUNICATIONS NEEDS

CTIA commends the Commission on its efforts to reform the Nebraska Universal Service Fund. As the Commission recounts in its Order, the current support mechanism has been largely unchanged for a decade. In that time, substantial changes have occurred in federal law, in technology, and in the communications marketplace, which necessitate review and reform of the mechanism. CTIA supports the Commission's efforts to account for reforms to federal high-cost support, and to better coordinate the NUSF with the federal CAF. By accounting for the presence of available federal-high cost support, the Commission's reforms can help promote state funding efficiency, and help ease any economic burden on the wireless consumers who ultimately provide support for the fund.

Over the past decade, Nebraska consumers have embraced wireless service for their changing telecommunications needs. Nebraska currently has 8 facilities-based wireless providers

serving over 1.7 million subscribers in the state.¹ 99.6% of Nebraska's population has access to 3G (or better) wireless coverage, and over 93% of Nebraska's population has access to four or more wireless providers.² The value of wireless is reflected by the growing number of households which are going wireless-only for their communications needs. 39.2% of Nebraska households are wireless-only as of 2013, an increase of over 6% from 2010.³

Wireless consumers contribute to the NUSF⁴, and as Nebraska consumers increasingly choose wireless services for their communications needs, the contributions of wireless consumers make up a significant, and growing, portion of the fund. As a result, NUSF efficiency is an important issue to CTIA and its member companies, and CTIA appreciates the Commission's efforts at reform that may ensure the NUSF is more efficient and consumer-friendly.

III. THE COMMISSION SHOULD ENSURE THAT ANY REFORMS TO THE NUSF ARE CONSISTENT WITH THE FCC'S CONNECT AMERICA FUND

As identified by the Commission in its Order, recent reforms to the FCC's universal service program, including the establishment of the Connect America Fund, provide an avenue for carriers to obtain high-cost support from the federal program to deploy and offer broadband services in Nebraska. The Commission has recently modified its own fund to support broadband, and has identified that any state high-cost support should be complementary to, not duplicative of, federal high-cost support efforts.⁵ For that reason, the Commission should ensure that any

¹ Federal Communications Commission, "Local Telephone Competition: Status as of December 31, 2013" (October 16, 2014), at Table 18. Available at https://apps.fcc.gov/edocs_public/attachmatch/DOC-329975A1.pdf.

² Data from <http://www.broadbandmap.gov>.

³ Centers for Disease Control, "Wireless Substitution: State-Level Estimates from the National Health Interview Survey, 2013" (December 16, 2014). Available at http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless_state_201412.pdf. See also, Centers for Disease Control, "Wireless Substitution: State-Level Estimates from the National Health Interview Survey, 2010-2011" (October 12, 2012). Available at <http://www.cdc.gov/nchs/data/nhsr/nhsr061.pdf>.

⁴ 291 Neb. Admin. Code Ch. 10, Rule 002.01B2.

⁵ See Order, at 2.

reforms to the NUSF are consistent with the FCC's Connect America Fund. By reforming the NUSF with available federal support in mind, the Commission can ensure that support is efficiently allocated and not duplicated between the NUSF and the CAF, and encourage carriers to take full advantage of available federal support.

IV. THE COMMISSION SHOULD LIMIT STATE HIGH-COST SUPPORT TO THOSE LOCATIONS NOT SERVED BY AN UNSUBSIDIZED COMPETITIVE BROADBAND PROVIDER.

The Commission's reforms should limit state high-cost support to those locations that do not currently have an unsubsidized competitive broadband provider offering service, to help ensure that NUSF funds are used efficiently and targeted where such funds are needed.

The existence of competition in a location, particularly if one competitor (or more) is unsubsidized, demonstrates that support is not needed to ensure the availability of service in a given geographic market.⁶ Competitive distortion can occur if one entrant has made investments to serve a market without government support, and a competitor is then provided support through the NUSF. This distortion is further exacerbated if the funding for that NUSF support is being drawn from customers of the unsubsidized carrier. By limiting state high-cost support to those locations that do not currently have an unsubsidized competitive broadband provider, the Commission can help promote fairness and competition in the telecommunications marketplace.

Limiting NUSF support to areas not presently served by an unsubsidized competitive broadband provider also has the benefit of allowing funds to be used more efficiently, directing them to the locations with the greatest need. This efficient targeting of state support can help manage the amount of funding required by the NUSF, limiting the economic burden on the

⁶ This principle is consistent with the FCC's approach to distribution of high-cost support. *See Connect America Fund, et al.*, 26 FCC Rcd 17663, 17701 at para. 130 *et seq.* (2011), *aff'd sub nom In re FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014) ("*USF/ICC Transformation Order*"; *Connect America Fund, et al.*, Report and Order, FCC 14-190, at para. 73 (rel. Dec. 18, 2014).

Nebraska consumers who fund the NUSF. As the Commission is aware, CTIA has previously raised the concern that wireless consumers in Nebraska face one of the highest aggregate levels of taxes, fees and surcharges on their bills in the country.⁷ By limiting NUSF support to areas not presently served by an unsubsidized competitive broadband provider, the Commission can take a significant, concrete, and positive step to help provide economic relief to those consumers.

V. THE COMMISSION SHOULD ENSURE THAT ANY STATE SUPPORT MECHANISM RESULTS IN A COMPETITIVELY- AND TECHNOLOGICALLY-NEUTRAL ALLOCATION OF SUPPORT.

While this docket only directly impacts price-cap local exchange carriers, those entities exist in a broader communications marketplace. As a result, as the Commission considers reform, it is important to consider the role of state high-cost support funding in the larger context of this evolving marketplace.⁸ Any reforms to the NUSF mechanism should reflect evolving consumer preferences and technological innovations, as Nebraska consumers have embraced a variety of competitive options for their telecommunications needs. Services such as wireless can provide cost-effective service to consumers in difficult-to-serve areas, and the quality of this service is reflected in the increasing adoption of wireless by Nebraska consumers (as previously noted).

To promote investment in new services and broaden the choices available to consumers, the Commission should ensure that any reforms to the NUSF allocate high-cost support in a competitively- and technologically-neutral manner. Such a neutral universal service policy in Nebraska promotes efficiency by encouraging robust competition, and is forward-looking in that it can best adapt to technological advances and evolving consumer preferences.

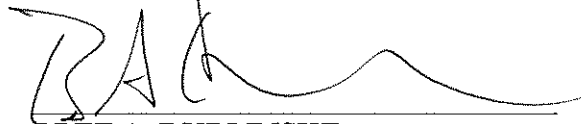
⁷ See e.g., “Comments of CTIA – The Wireless Association,” *in re App. No. 911-060 / PI-191* (June 6, 2014), at 5.

⁸ This is particularly relevant to the extent the Commission views this docket as one piece of a broader review of the NUSF programs. CTIA is aware, for example, that the Commission has also opened a docket to consider NUSF contribution reform, App. NUSF-100 / PI-193.

VI. CONCLUSION

CTIA appreciates the opportunity to provide input on the important issue of how to update Nebraska's universal service fund. CTIA believes that as the Commission engages in reform, it should adopt the three over-arching principles listed above. The Commission should seek to align as closely as possible with federal high-cost support programs, to minimize any inconsistencies or duplication of funding. The Commission should target state funds to where they are most needed by providing support only in locations where there is no unsubsidized broadband provider offering service. And the Commission should ensure that any reformed NUSF is both competitively and technologically neutral, in order to adapt to evolving consumer preferences and to allow for emerging technologies that may facilitate service to hard-to-serve areas.

Respectfully submitted this 13th day of January, 2015.



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