

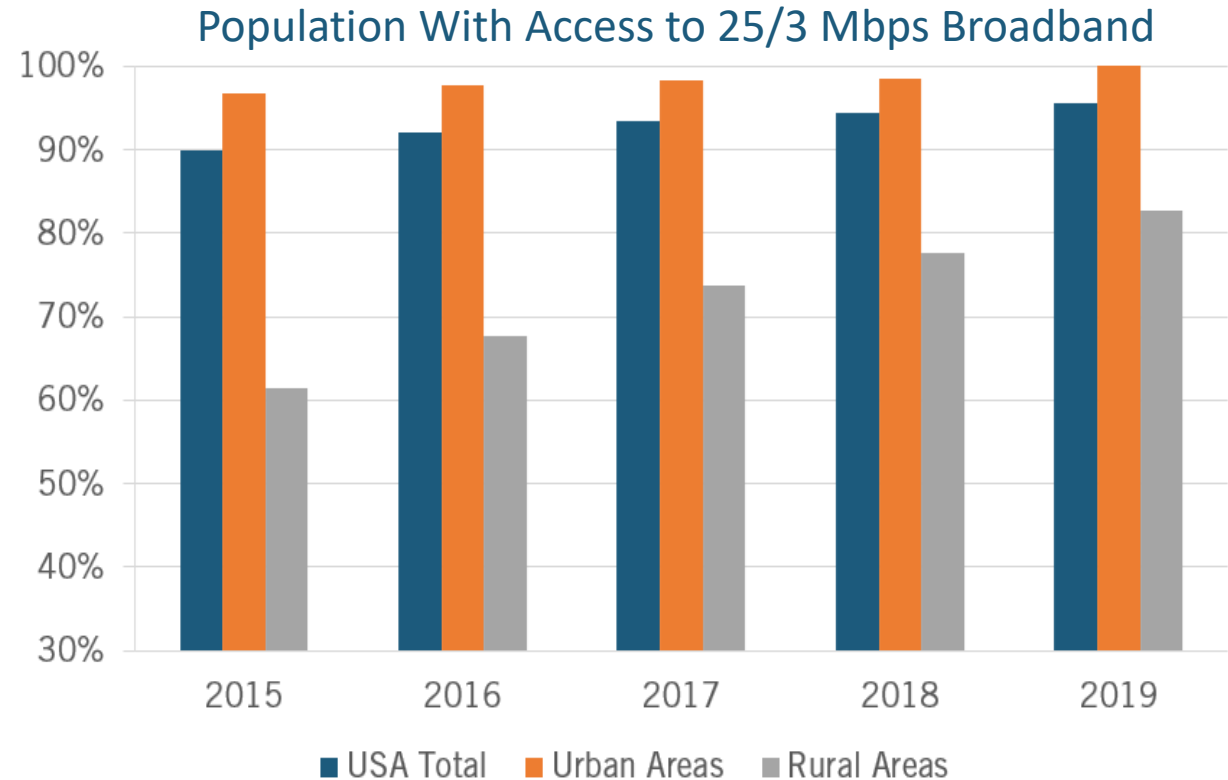
How to Bridge the Rural Broadband Gap Once and For All

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April 1, 2021

The Government Should Subsidize Rural Broadband

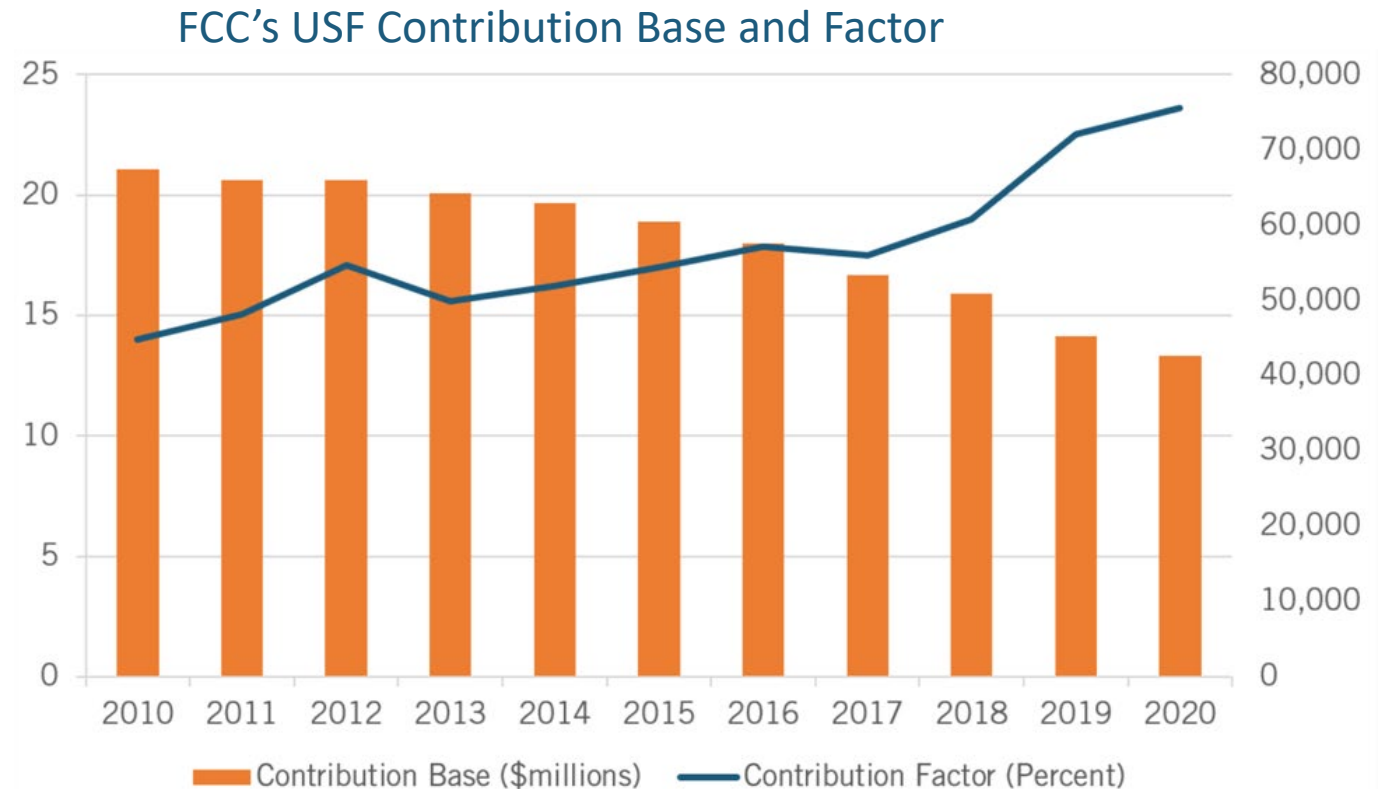
- Strong economic benefits to broadband
 - Positive externalities: jobs, education, healthcare, agriculture
- Unsubsidized operators cannot solve this problem
 - Not sufficient return in high-cost areas; density does not support the cost of deployment



Source: FCC Form 477 data

Current Programs Face Real Challenges

- FCC's Universal Service Fund provides about \$4.5 billion in annual support for high-cost areas
- Funded through fees on a shrinking base of interstate telecommunications services.



A Roadmap to Connect Rural America

- Step 1: Get the maps right
- Step 2: Large, one-time CAPEX infusion
 - Appropriation can take some pressure off USF
- Step 3: Appropriately target funds
 - Focus on unserved areas before any speed upgrades, and avoid overbuilding
 - Reverse auction can determine the right technology, firm for a given area
 - Aim to cost-effectively get vast majority of Americans online with reasonable speeds
- Step 4: Set program up for long-term success



Devil is in the Details....Need to determine:

- What is the goal for coverage—100%? 98%?
- What speeds count as unserved? 25/3 Mbps? Higher?
- What are target speeds for upgrades? Do we trust an auction to determine?
- Are we serious about technological neutrality?
- Is the goal cost-effective upgrades, or “future-proofing” the network?
- What is the role for municipal networks and co-ops? What about satellite offerings?

Thank You!

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