

RURAL BROADBAND INSIGHTS FOR CLOSING THE DIGITAL DIVIDE



WITH PARTNER JONATHAN CHAMBERS

# Co-ops Connect FYI

By Jonathan Chambers • May 12, 2023

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## As We Anticipate New Broadband Maps, Let's Look at the Largest Broadband Providers in America



Independence Pass, Continental Divide

Recently, Charter declared itself to be the largest broadband provider in rural America.

- That's a remarkable statement, and one that would have been laughable just a few years ago.
- For years, AT&T was the largest rural carrier, followed by its former Bell sister companies, CenturyLink, Windstream, and Frontier.

**My thought bubble:** I think Charter's claim has some validity.

**But first, a bit of history:**

In the early 1990s, when my colleagues and I were drafting statutory language for what became the Telecommunications Act of 1996, we had serious, significant debates over the treatment of rural areas and rural incumbent telephone companies.

- The primary goal of the 1996 Telecommunications Act, like the 1992 Cable Act and the wireless provisions of the 1993 Omnibus Budget Reconciliation Act, was to open up prior monopoly and duopoly markets to competitive forces.
- **Put simply**, let cable companies enter the telecommunications and information services markets, let the telecommunications companies enter the video distribution markets, require the FCC to auction more spectrum for a more competitive wireless market.
- Congress ended monopolies, and industry responded with previously unforeseen levels of investment in infrastructure, technology, and innovation.

**What they were saying:**

The concern of some members of Congress during this time was that **rural America would be left behind.**

- **There would be no competition and no investment** in rural America.

**How it ended:**

**The 1996 Act** included provisions to ensure the universal availability of telecommunications services in rural areas.

**The FCC was given the principal role** to ensure that all Americans, regardless of geography or income level, would have service that was reasonably comparable to service in urban areas at reasonably comparable prices.

## Enter the Era of Auctions



### **The status quo:**

**For over twenty years, the FCC** pursued its mandate by giving tens of billions in public funds to incumbent telephone companies and requiring voice services and low levels of internet access be made available.

### **The turning point:**

- **In 2015, the FCC** gave the largest incumbent telephone companies, mostly those from the old Bell system, over \$10 billion to make 10/1 Mbps internet access available in rural areas.

— *This speed was not even considered broadband at the time.*

- The funds that were rejected by the large incumbents (about \$1.5 billion) were made available to any other internet service provider through an auction.

**Why it matters:**

- **This auction in 2018 was the first large-scale universal service auction**, called the Connect America Fund II (CAF II) auction.
- **A follow-up auction in 2020** was held for the exact areas where the initial \$10 billion in 2015 had been spent and failed to produce broadband service. That was called the Rural Digital Opportunity Fund (RDOF) auction.

**The bottom line:**

The winning bidders in the RDOF auction can now be considered the largest rural providers. These are the companies most interested today, through competitive bidding, in serving rural America.

## A Closer Look at the Winning CAF II and RDOF Bidders



The combined results of the largest winning bidders in the CAF II and RDOF auctions are:

Company	Total Winning Amount	Number of Locations
Rural Electric Cooperative Consortium	\$1,290,418,443	684,798
Charter	\$1,222,613,870	1,057,695
Windstream (while in bankruptcy)	\$522,888,780	192,567
Frontier (while in bankruptcy)	\$428,103,483	148,524
CenturyLink	\$262,367,614	77,257
Verizon	\$9,476,934	3,361

AT&T, up until the RDOF auction, was the largest recipient of universal service funds in the country. Its minimal participation in the auctions has been part of a larger AT&T strategy to focus on urban and suburban America, rather than its past rural territory. ([See April 28 Co-ops Connect FYI](#))

**In contrast**, the Rural Electric Cooperative Consortium (RECC) was a bidding entity formed by Conexon, through which nearly 100 electric cooperatives bid in the CAF II and RDOF auctions.

- The RECC comprised the largest group of new entrants in the broadband industry. Every member in the RECC bid for funding



to build fiber-optic networks.

- **By dollar amount, the RECC** was the most successful bidder in those auctions, the most successful such bidder in universal service auctions in FCC history.

**Yes, but:**

**By locations, Charter has the largest obligation** to serve rural America. It can rightly claim to be one of the largest, if not the largest, rural provider in the country.

## The Final Word



**A cautionary reminder:**

- Being a winning bidder in the FCC auctions is not the same as building networks and serving rural customers.
- The largest winning bidder in the RDOF auction, LTD, is now the largest defaulting bidder in FCC history.
- Progress by each of the winning bidders is reported regularly to the FCC's administrative arm, USAC.

- With the new broadband maps, we will be able to compare the build-out requirements by each winning bidder with actual deployment.

### **Charter by the numbers:**

Recently, Charter claimed that it was two years ahead of schedule in meeting its build-out requirements.

- That would mean it would have already built out to over 400,000 rural locations in the census blocks where it won funds.
- By the end of this year, that number should be 600,000.
- By next year, 800,000 rural locations in RDOF census blocks should be passed by Charter.
- We'll be able to check on Charter's progress when the new maps are released, which should be shortly. We'll report back when the National Broadband Map data is released.

The RECC members have been actively building and are also well ahead of schedule in most cases. We'll report an aggregate accounting of RECC progress as well.

### **The bottom line:**

I'd be willing to wager RECC members have made more progress than Charter, and far more than any of the other top 5 bidders.

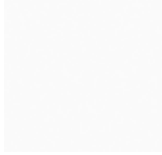
**That's not to take anything away from Charter.** Where AT&T, Verizon, and other large telephone providers have stepped away from rural America, **Charter and Rural Electric Cooperatives have stepped in.**

That's as it should be.

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