

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

Re: Competitive Bidding Procedures and Certain Program Requirements for the Connect America Fund Phase II Auction (Auction 903), AU Docket No. 17-182; WC Docket No. 10-90

With this Public Notice, the Commission comes one step closer to conducting a reverse auction to allocate universal service subsidies for broadband deployment in certain unserved rural areas of the nation. As most know, I was very active, during the previous Commission, in establishing the mechanism to adopt various weights to appropriately balance broadband performance and cost-effectiveness. However, given the exact weights and penalties that were eventually chosen earlier this year, I remain concerned that the auction will have the effect of spending a disproportionate amount of funding on high-end services for fewer people, thus far exceeding what we can afford and concentrating that funding in relatively low-cost areas.

The idea that satellite broadband services, which must be part of our overall package of solutions, will just take up the scraps or leftovers does not comport with my meetings just two weeks ago with one provider. While we didn't get into the specifics of this debate, it was obvious that their willingness to devote targeted broadband capacity is tied to the sufficiency of the subsidies and the concentration of service areas, not serving onesie and twosie locations. The result of our weighting actions have sadly led to an unwillingness to participate in the auction as designed.

Absent reconsideration of those decisions, which doesn't seem to be in the cards, my intent is to ensure that the remaining decisions promote the broadest possible participation and the maximal amount of deployment that can be achieved within the current structure. Therefore, I am pleased that the Public Notice has been revised to include additional questions to elicit a more robust record on these issues.

I appreciate the diligent work of Commission staff across the agency to produce these proposed requirements and procedures, keeping us on track for an auction in 2018. I will vote to approve.