



NEWS

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See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

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FCC PROPOSES MODERNIZING AND STREAMLINING UNIVERSAL SERVICE

Washington, D.C. – The Federal Communications Commission today proposed to modernize and streamline its universal service and intercarrier compensation policies to bring affordable wired and wireless broadband – and the jobs and investment they spur – to all Americans while combating waste and inefficiency.

A Notice of Proposed Rulemaking (NPRM) and Further Notice of Proposed Rulemaking adopted by the FCC outlines a path to transforming programs that are currently focused on 20th Century voice service into a streamlined, efficient Connect America Fund that would help make 21st Century broadband available and affordable to rural communities.

Ubiquitous broadband infrastructure has become crucial to our nation's economic development and civic life. Businesses need broadband to start and grow, adults need broadband to find jobs, and children need broadband to learn. The distance-conquering benefits of broadband can be even more important in America's remote rural and insular areas and Tribal lands.

But the FCC's primary tools for meeting the great infrastructure challenge of our time – bringing robust affordable broadband to all Americans – are locked in the last century. The Universal Service Fund (USF), which helped connect rural America to telephone service, fails to effectively and efficiently target support for broadband in rural areas. USF has also become wasteful and inefficient in some situations, paying over \$20,000 a year – nearly \$2,000 per month – in support per line for some households, while providing little or no support in other communities that lack broadband.

USF is intertwined with the complex system of payments between carriers called intercarrier compensation (ICC). The system is rooted in outdated distinctions between local and long-distance telephone service, and inefficient per-minute charges. ICC also suffers from loopholes that distort markets and derail investment in advanced Internet Protocol (IP) networks.

Building on recommendations contained in the FCC's National Broadband Plan and extensive input from a wide array of stakeholders, the NPRM proposes four key principles to guide reform:

- *Modernizing USF and ICC To Support Broadband Networks.* Modernize and refocus USF and ICC to make affordable broadband available to all Americans and accelerate the transition from circuit-switched to IP networks, with voice ultimately one of many applications running over fixed and mobile broadband networks.
- *Ensuring Fiscal Responsibility.* Control the size of USF as it transitions to support broadband by combating waste and inefficiency. The Commission recognizes that American consumers and businesses ultimately pay for USF.
- *Demanding Accountability.* Require accountability from companies receiving support, to ensure that public investments are used wisely to deliver intended results. Government must also be accountable for the administration of USF, including through clear goals and performance metrics for the program.
- *Enacting Market-Driven and Incentive-Based Policies.* Transition to market-driven and incentive-based policies that encourage companies to maximize the impact of scarce program resources and the benefits to all consumers.

The NPRM proposes immediate steps to cut waste, reward efficiency, and close loopholes. Long-term proposals call for simplifying and unifying USF into a single, streamlined Connect America Fund, and gradually eliminating per-minute intercarrier charges.

During the process launched today, the FCC will hold a series of public workshops on key issues in its reform proposals. These workshops, in addition to submissions of written comment, will provide ample opportunity for public input to improve and refine the proposals in the NPRM as the Commission moves toward an Order on these issues..

Specific proposals in the NPRM include:

Eliminate waste and inefficiency throughout the current program.

- Transition funding for duplicative phone service by multiple phone companies operating in the same area to provide support where it's most needed.
- Impose reasonable limits and guidelines for reimbursement to providers that have little incentive under our current subsidy system to operate efficiently.
- Review continued need for funding mechanisms that have not been reevaluated in many years.

Use savings to spur investment in high-speed Internet in unserved areas.

- Identify unserved areas using the forthcoming National Telecommunications and Information Administration (NTIA) national broadband map.
- Create the Connect America Fund to quickly and efficiently deliver support to unserved areas.
- Use market-based policies to support providers in a technology-neutral manner, targeting areas where broadband funding will have the biggest impact.
- Ultimately, streamline and consolidate the five separate Universal Service Fund programs that support rural phone networks into the Connect America Fund. This will constrain spending and bring fixed and mobile broadband to unserved areas while preserving voice service for all, creating jobs and fueling economic growth.

Stimulate investment in broadband by reforming the Intercarrier Compensation system.

- Eliminate wasteful billing disputes by closing loopholes and tightening rules to prevent “phantom traffic,” which is traffic that has been disguised so it can’t be identified for billing purposes.
- Amend rules to reduce “traffic pumping,” a practice that drains revenues from the system by exploiting existing rules to earn more intercarrier compensation. Reclaimed revenues could be invested in networks or used to reduce prices for consumers.
- Gradually reduce per-minute Intercarrier Compensation charges. These charges create incentives for carriers to maintain legacy networks that maximize intercarrier revenues rather than investing in advanced, efficient IP-based infrastructure.
- Develop a system to offset reductions in intercarrier rates, including, where necessary, support from the Connect America Fund.

Increase accountability for recipients and for government, and more effectively measure program performance.

- Adopt clear performance goals and metrics for the Connect America Fund.
- Require increased disclosures about the operating performance and financial condition of companies that receive universal service support.
- Increase transparency, oversight, and accountability.

Action by the Commission February 8, 2011, by Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking (FCC 11-13). Chairman Genachowski, Commissioners Copps, McDowell, Clyburn and Baker. Separate Statements issued by Chairman Genachowski, Commissioners Copps, McDowell, Clyburn and Baker.

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