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FCC INITIATES PROCEEDING TO REFORM UNIVERSAL SERVICE FUND CONTRIBUTION SYSTEM

Proposals Aim for Adaptability, Neutrality, and Simplicity

Washington, D.C. – Today, the Federal Communications Commission (FCC) announced proposals to streamline and simplify the way telecommunications carriers contribute to the universal service fund (USF). The FCC's proposals also include measures to ensure that those carrier contributions, which are currently represented in customer phone bill line items, are recovered fairly, accurately, and equitably.

In light of market trends, the Commission's Notice of Proposed Rulemaking (Notice) is exploring ways to reform the existing USF contribution system so those providers of telecommunications services contribute on an equitable and nondiscriminatory basis. The Commission noted the following market trends, which are having an impact on the USF contribution system:

- New entrants into the long distance market – because contributions are based on historical, rather than current, interstate revenues, this may create distortions in the market.
- Growth in the wireless telecommunications sector – interstate revenues may now exceed the percentage set in the Commission's interim safe harbor rule.
- Bundling of services – bundling, such as local and long distance, and telecommunications and non-telecommunications services, has implications for carriers' ability to distinguish and allocate revenue from these different services.

Under the current universal service rules, carriers' contributions are assessed as a percentage of their interstate and international end-user telecommunications revenues. Carriers currently decide for themselves whether, how, and how much to recover these costs from their customers. Most carriers recover USF contribution costs through line items on customer telephone bills.

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Specific proposals the Commission is seeking comment on include:

- Requiring carriers to contribute based on a percentage of *collected* revenues, rather than their *billed* revenues.
- Whether to assess universal service contributions based on current or projected revenues.
- A flat “per-unit” assessment, such as a fixed per-line assessment.
- Limiting the manner in which carriers recover their contribution costs from their customers, such as a uniform line description and requiring line item amounts to be no larger than the contribution assessment.

The USF is the support mechanism established by the Commission to ensure that affordable telecommunications service is available to all Americans. The USF provides: support and discounts for: 1) telecommunications services for consumers who live in high-cost rural areas; 2) telecommunications services for low-income consumers; 3) telecommunications services, Internet access and internal connections for schools and libraries; and 4) telecommunications services for rural health care providers.

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CC Docket Nos.: 96-45, 98-171, 90-571, 92-237, 99-200, and 95-116

Action by the Commission May 8, 2001 by Notice of Proposed Rulemaking (FCC 01-145). Chairman Powell and Commissioners Ness issuing a statement, Furchtgott-Roth, and Tristani.

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News about the Federal Communications Commission can also be found on the Commission’s web site www.fcc.gov.