

## SEPARATE STATEMENT OF CHAIRMAN MICHAEL K. POWELL

*Re: Fourteenth Report and Order and Twenty-First Order on Reconsideration, Federal-State Joint Board on Universal Service and Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers (CC Dkt. Nos. 96-45, 00-256).*

I am pleased to support this Order because, today, the Commission finally takes action to fill in the third piece of the four-part universal service puzzle: high-cost loop support for rural carriers. The Commission filled in the first piece of this difficult puzzle in 1999 when it reformed high-cost loop support for non-rural carriers based on a forward-looking cost model. We moved the second piece of the puzzle into place in 2000 with the adoption of access reform and interstate access support for price cap carriers in the CALLS Order. Today's action on the third piece of the puzzle, rural high-cost loop support - and the pending proceeding on the puzzle's fourth piece, rural access reform - are two of the most important actions the Commission will take this year. Viewed as a whole, this comprehensive package of access and universal service reforms will ensure that consumers in all areas of the country, especially those living in high-cost rural areas, have access to telecommunications services at affordable rates.

A number of innovative rural carriers have begun to meet the challenge of ensuring that their customers benefit from the same twenty-first century telephone infrastructure that other Americans are starting to enjoy. Many others, however, have been less able to meet this challenge. In particular, in many cases, the costs of serving far-flung customers has outstripped rural carriers' financial resources. This has, in some cases, hindered these carriers from making much-needed improvements and upgrades to their networks to provide basic supported services.

With this Order, we adjust rural high-cost loop support to address a facet of this pressing problem. The increases to rural high-cost loop support will begin relatively modestly (roughly \$126 million total support for Year 1) and then ramp up to a total price tag over the five year term of the plan of over \$1 billion. Together with our other existing universal service programs, our total support for rural carriers during this five year period is projected to be well over \$9 billion - before we address rural access reform.

Although I vigorously support the Commission taking this important action, I acknowledge that there are limitations to this plan. As the Order emphasizes, this is an interim five-year plan, reflecting the fact that we have more work to do in this area. Specifically, I believe it is important that we develop a permanent support mechanism, based on forward-looking costs or another appropriate measure of costs, by which we can ensure that the rural high-cost loop fund grows no larger than is truly necessary to accomplish its purpose. As I have stated repeatedly, we must guard against allowing universal service programs to grow too large, lest we collect so much from carriers that

they are hindered in their ability to compete and bring consumers new and better products and services.

If we could address this concern and adopt a permanent solution today, I would be the first to support it. But these issues are exceedingly complex and will take more time to develop. At the same time, further delay is not an option in my view. The Commission has taken simply too long to address rural carrier issues in its implementation of the Act's universal service requirements.

I would re-emphasize that this is only one piece of the puzzle for rural carriers. The Bureau intends to prepare a formal recommendation regarding rural access reform, including consideration of the "MAG proposal" within the next few months. It will be one of my top priorities to make significant progress on rural access reform as soon as logistically possible.

In closing, I would like to extend my deepest gratitude to my state colleagues and staff, as well as my fellow commissioners and staff, for their invaluable contributions to this reform effort. The Rural Task Force and the Joint Board on Universal Service are especially commended for their insight and vigor in developing this interim support mechanism.