



NEWS

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FEDERAL COMMUNICATIONS COMMISSION ADOPTS INTERIM MEASURES TO MAINTAIN UNIVERSAL SERVICE FUND

Commission to Further Examine Several Connection-Based Solutions

Washington, D.C. – The Federal Communications Commission (FCC) today modified the current revenue-based system for the assessment and recovery of universal service fund (USF) contributions. The universal service fund provides support and discounts to ensure that high quality, affordable telecommunications service is available to all Americans.

The specific interim measures adopted today, which will ensure the near term sustainability of the USF, include:

- Increasing from 15 percent to 28.5 percent the current interim safe harbor that allows wireless carriers to assume their telecommunications revenues are interstate.
- Basing USF contributions on projected, collected end-user interstate revenues, instead of the current historical, gross-billed revenues. This change will improve competitive neutrality among the contributing carriers.
- Prohibiting carriers from including a mark-up above their USF contribution if they choose to recover their contributions costs through a phone bill line item.

Although the interim measures adopted today will improve the current revenue-based system, the Commission noted several market and technology trends affecting the long-term viability of the current USF system. These trends include the increased availability of bundled service packages that make it difficult to differentiate interstate revenues from intrastate revenues and to distinguish between telecommunications and non-telecommunications service products, and the increased consumer substitution of wireless and Internet-based services, which are contributing to a decline in the assessable revenue base.

In recognition of these marketplace and technology changes, the FCC also adopted a Notice seeking comment on further reforms to its contribution methodology. In

particular, the FCC seeks comment on additional modifications to the revenue-based system and on the following three connection-based contribution systems as long-term solutions:

1. A proposed contribution methodology that would impose a minimum contribution obligation on all interstate telecommunications carriers and a flat charge for each end-user connection depending on the nature or capacity of the connection.
2. A proposal to assess all connections based purely on capacity. Under this proposal, the contribution obligation for each end-user connection would be shared between access and transport providers.
3. A proposal to assess providers of switched connections based on their working telephone numbers.

Background on USF

The USF is the support mechanism to ensure that high quality, 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 and 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.

Under the current universal service rules, carriers' contributions are assessed as a percentage of their interstate and international end-user telecommunications revenues. Currently, wireline long distance companies contribute 63% of the universal service fund, with the remainder coming from local exchange companies and wireless companies.

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CC Docket Nos.: 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, and 98-170.

Action by the Commission December 12, 2002 by Report and Order and Second Further Notice of Proposed Rulemaking (FCC 02-329). Chairman Powell and Commissioners, Abernathy, Copps, and Martin issuing separate statements; Commissioner Adelstein not participating.

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