

**Prepared Remarks of FCC Commissioner Mignon L. Clyburn  
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Good morning. Thank you for that kind introduction, Steve. It is great to see many familiar faces, and to be surrounded by friends. Some of you have been so kind to drop in for a visit with me since I joined the FCC. I want to thank you for that.

It's important that we have a continuing dialogue about the state of the telecommunications marketplace. It is essential that we, at the federal level, understand what's going on at the State and local levels. So, not only are your visits to the Commission important, but it is also crucial that we do our part to get outside the Beltway. This is especially true as we contemplate significant policy changes in the wake of the National Broadband Plan. Hopefully today will serve as just one small part of our ongoing dialogue about the Plan, and will encourage you to participate in the FCC's proceedings to consider the implementation of the recommendations in the Plan.

In 2009, Congress assigned the FCC a significant and monumental project—to develop a National Broadband Plan that ensures “all people in the United States have access to broadband capability.” Congress asked that this Plan provide a detailed strategy for achieving affordability of broadband and maximum utilization of broadband infrastructure; that it evaluate the status of broadband deployment; and that the Plan advance public purposes such as community development, health care delivery, energy independence, education, and job creation.

The Commission's effort to develop the nation's plan for broadband was ambitious. It involved every Bureau and Office of the agency, and the FCC gathered facts from numerous sources. We released over 30 public notices; conducted over 30 public workshops and field hearings; and created a website specifically about the development of the Plan. The American public responded with more than 23,000 filed comments—including both traditionally filed comments and responses to the Commission's blog.

After months of many late nights and take-out food, the FCC's Broadband Team presented the Plan to the Commission at its agenda meeting on March 16 of this year. At that meeting, the Commission unanimously agreed on a Joint Statement on Broadband which sets forth six principles. Three of those principles are most applicable for my discussion with you today:

First, every American should have a meaningful opportunity to benefit from the broadband communications era—regardless of geography, race, economic status, disability, residence on tribal land, or degree of digital literacy.

Second, the nearly \$9 billion Universal Service Fund and the intercarrier compensation system should be comprehensively reformed to increase accountability and

efficiency, encourage targeted investment in broadband infrastructure, and emphasize the importance of broadband to the future of these programs.

Third, ubiquitous and affordable broadband can unlock vast new opportunities for Americans, in communities large and small, with respect to consumer welfare, civic participation, public safety and homeland security, community development, health care delivery, energy independence and efficiency, education, worker training, private sector investment, entrepreneurial activity, job creation and economic growth, and other national purposes.

As the Plan aptly recognizes, broadband is the critical infrastructure for the 21<sup>st</sup> Century, just as electricity and the interstate highway system were in the last century. Broadband has the potential to change lives. With broadband, Americans can obtain better educational opportunities, health care can be provided in areas where it currently isn't offered; and energy can be delivered more efficiently. But in order for Americans to obtain the benefits of broadband, it must be made available to them, and they need to know how to use it.

There is one particular goal in the Plan that I would like to focus on today—every American should have affordable access to robust broadband service at home. The Plan currently estimates that approximately 7 million households, or 14 million people, do not have broadband available to them at home. I should note that these numbers could be even higher, because the information currently available on deployment is far from complete. In fact, broadband subscribership data the FCC obtains from providers suggests that up to 24 million Americans may not have access to broadband at home.

The Plan finds the median actual speed purchased by consumers today is a little under four megabits per second downstream, and 1 megabit per second upstream. Taking into account the likely increase of speed by the end of this year, the Plan proposes that broadband speed for universal service support should be 4 megabits per second downstream, and 1 megabit per second upstream, and the model of broadband availability is based on this speed.

Although broadband providers are now serving well over the majority of Americans, we still have a sizeable broadband availability gap. For homes without broadband, those families are at a significant disadvantage. Children cannot use high-speed Internet to complete their homework and enhance their educational opportunities. Parents cannot apply for jobs that require online applications, and those families cannot access many other services and critical information that's only available online. For those families, it matters little whether broadband is available to 95% of Americans. What matters to them is that broadband is not available at their home.

We have heard (and continue to hear) their personal stories. Maria, a college professor and mother in rural New York, expressed her frustration about not having broadband at home. Just four-tenths of a mile down the road from her family's home, her neighbors have access to cable. Her neighbors can watch movies from their PCs, upload games, watch educational videos with their children, share home movies with family

across the country, and parents have the option to work from home, without the cost and stress of enrolling their children in daycare.

How do we incent providers to offer broadband service to Americans who cannot currently obtain service at their homes? This is the problem that the National Broadband Plan is ultimately aimed at solving. The Plan offers numerous recommendations for making broadband available to all Americans. The most significant is overhauling the Universal Service Fund to expand support to explicitly fund broadband.

As you know, the Universal Service Fund has been instrumental in providing telephone service to Americans. The Commission's latest data indicates that 95.6% of households subscribe to telephone service. While the fund currently provides some support of broadband networks indirectly, it does not do so in the most efficient manner. Today, universal service support is largely determined by the regulatory status and size of the firm receiving support, rather than the economics of serving consumers in a particular geographic area. Universal service support also does not currently support all the components of the network that are critical to providing broadband, including middle mile.

The Plan proposes to connect 99% of American homes within ten years by slowly transitioning high-cost universal service funding from plain old telephone service to broadband over three stages. The Plan proposes to do so without increasing the current assessment levels, which currently stand just over 15% of consumers' phone bills, and without increasing the overall size of the fund. The new rules will be phased in—there will be no flash cuts—so that service providers and investors will have time to adjust to the new regime and providers that currently rely on universal service funding to serve their communities can make the migration successfully.

In the first phase, which is planned for the 2010 to 2011 timeframe, the Plan proposes that the Commission establish a Connect America Fund that will specifically target support to broadband, and a Mobility Fund that will direct one-time support to States that materially lag the national average for 3G wireless service. The Connect America Fund would provide support to extend broadband to unserved areas, and to assist providers that already offer broadband service where the revenues are not sufficient to cover a provider's operational expenses. Thus, the intent of the Connect America Fund is to provide support in geographic areas, on a technology and provider neutral basis, where there's no private sector business case to offer affordable broadband service without government support.

The Plan also recommends that the FCC consider a market-based mechanism to select the lowest cost broadband provider to receive support. The goal is to spend our limited resources, the public's resources, wisely; and maximize the number of households that are served by broadband by subsidizing only one broadband network in those areas where the market cannot support any broadband service.

The Fund historically has been part of a social compact between the government and private sector firms, which both are required to serve all customers at some basic level. The Plan recommends that firms receiving universal service support must be the

provider of last resort for both broadband and voice services – and accept all the obligations that entails, including providing broadband speeds of at least 4 megabits per second download and 1 megabit per second upload. This is a key issue in the reform process, and one where State input is absolutely critical. We need to proceed in a thoughtful way to make sure we are preserving service to all consumers. The Plan also proposes that providers receiving funds should be held accountable, and they should be subject to deadlines for providing broadband service.

In order to free up current universal service money to fund the Connect America Fund and Mobility Fund, the Plan proposes that the Commission phase out support for multiple voice providers over five years and that the Commission implement the voluntary commitments of certain wireless carriers that already have agreed to reduce their legacy support. It also proposes that current support be frozen; that the Commission consider moving rate-of-return companies to incentive regulation; and that the Commission adopt a framework for long-term intercarrier compensation reform that would create a glide path to eliminate per-minute charges over time. Intercarrier compensation revenues already are declining on their own, through market forces, and they will continue to decline as more consumers rely on IP networks.

In the second phase of the transition, which is expected to occur in the 2012-2016 timeframe, the Plan proposes to begin disbursing support from the Connect America Fund and to begin reducing per-minute rates for intercarrier compensation. Then in the third stage, from 2017 to 2010, the Plan's vision is that all support of plain old telephone service would cease and per minute intercarrier compensation would be phased out completely. The goal being that intercarrier arrangements will look more like they do in the all-IP world, in which carriers typically pay each other through flat charges.

In April, the FCC began the first phase of the transition and started the process of reforming the Universal Service Fund, to connect all Americans to broadband, no matter whether they live. The Commission released a Notice of Inquiry and Notice of Proposed Rulemaking, focusing on three major topics. It is our hope that we receive input from State regulators on our proposals.

First, the Commission asked for comment on the use of an economic model to estimate support levels for universal service disbursements. It also asked whether and how the model developed by the Broadband Team to assess broadband availability could be modified for determining universal service support.

Second, the Commission asked for comment on the concept of using a competitive procurement auction to target funding to extend broadband to unserved areas once the state broadband mapping is completed in February 2011. This proposal would allow entities to compete against one other for the right to receive support from the Connect America Fund in order to extend service to unserved areas anywhere in the country.

Third, the NPRM sought comment on a number of proposals to cut legacy universal service spending in high-cost areas and to shift support to broadband. These proposals include capping the overall size of the high-cost program at 2010 levels; re-

examining the current regulatory framework for smaller carriers in light of competition and growth in unregulated revenues; and phasing out support for multiple competitors in a geographic area.

Since the Plan was released and the Commission began its initial proceeding to reform the Universal Service Fund, we have heard from some entities that the Plan's recommendations for reform should be reconsidered. Citing the Plan's lofty goal that at least 100 million U.S. homes should have download speeds of 100 megabits per second and upload speeds of 50 megabits per second, some claim that the Connect America Fund will perpetuate a digital divide between urban and rural areas because it will only support broadband networks offering download speeds of four megabits per second and upload speeds of one megabit per second.

The Universal Service Fund, however, is about providing to all Americans—no matter where they live—what most Americans already have available to them. Currently, the data shows that speed is 4/1. The Plan recommends that the Commission re-evaluate the speed that most Americans are using every four years and to update the universal service requirements accordingly. As I noted above, it is critical that we use our finite resources wisely. We should focus on supporting the broadband service that most Americans are using today to those areas where there is no private sector business case to do so.

We also have heard that support from Connect America Fund can only be used to build, and not to operate broadband networks. This is not the intent. We recognize that there will be geographic areas where broadband has been built and that to continue to serve those areas, support will be required. If broadband availability decreases as a result of Universal Service Fund reform, then we will fail in our goal to reach all Americans.

Another comment made is that we are shifting money away from rural, rate-of-return firms, to price cap carriers. It is true that we are discussing how to move funding around to benefit those areas that need it in order to connect all Americans; however, it is not true that we are targeting certain companies over others. Two-thirds of the unserved areas are in price cap areas, where very little legacy high-cost support is given. And as I discussed above, the current high-cost system supports voice service, and only indirectly does it support broadband. Such support is inefficient and does not do a good job of targeting the money evenly across the hard-to-serve areas. In order to achieve our goal of connecting all Americans to broadband, we have to consider changes to the current high cost support system.

Indeed, there is overwhelming support that the current system is broken and must be fixed and that the current system should be reformed to explicitly support broadband. While we are open to suggestions on how we should reform the Universal Service Fund, and the current NOI and NPRM is a good place to begin that discussion, we will need to make some hard decisions in order to reach our goal of connecting all Americans to affordable broadband service.

We all must recognize that the telecommunications marketplace is changing. The traditional business model is going away. Young people are relying on their wireless phones and broadband connections and likely never will subscribe to plain old telephone service. We must adapt our current policies to take these changes into account.

Your involvement in this process as State regulators is very important. This truly has to be a federal-state partnership as we solve this infrastructure challenge. We want to have an ongoing dialogue with State commissions around the country, and we are anxious to have your input on the proposed reform, Carrier of Last Resort obligations, and the current status of state high cost funds.

We also need data. We don't want to develop USF policies based on high-level advocacy or rhetoric. We need the facts. We need better information about the cost to deploy broadband across the country, the penetration levels broadband providers are achieving, and what the business case for deployment really looks like, for all segments of the industry. We also need better information about the impact of declining intercarrier compensation revenues. Please submit data you have into the record of the proceeding we've opened.

I must note that expanding broadband networks to cover all Americans is only one piece of the puzzle. We also must encourage all Americans to adopt and use broadband in order for them to be truly connected. Approximately 93 million Americans, that is, nearly one-third of Americans have not adopted broadband at home, even if it is available to them. Cost, relevance, and digital literacy are factors influencing consumers' purchasing decisions that must be addressed.

For those who have not adopted broadband at home, they cannot easily find or apply for jobs, and they cannot take advantage of educational, health care, and small business opportunities available online. As a nation, we cannot afford for so many citizens to be left behind. The Plan suggests several ways to encourage more Americans to adopt and use broadband, including one of my personal favorites—a Digital Literacy Corps to teach computer and online skills.

For low income households, data in the Plan suggests that the cost of broadband is a barrier to adoption. Accordingly, the Plan recommended that the Commission should consider extending the Lifeline and Link Up programs to support universal service. The FCC recently asked the Federal-State Joint Board on Universal Service to look into how initial certification, ongoing verification of eligibility, and outreach are being handled today for those programs, and to identify best practices before we extend support to broadband. The Plan also recommended that the Commission initiate a broadband pilot program for Lifeline. During this summer, the Commission will be holding a roundtable to discuss the key elements of a broadband pilot. Your input with both the Joint Board's work and the pilot program are needed and welcomed.

While the delivery of the Plan to Congress in March was an important milestone, and I am so grateful for the many participants, such as the State and Local governments



that contributed their ideas to make our Plan more effective, the work to implement the Plan has just begun.

As the Broadband Team has noted, the Plan is not meant to be stagnant. We are open to hearing how we can improve upon the Plan over time. Moreover, as we begin implementing the Plan, a continuing dialogue with our colleagues in State and Local governments is essential. Given that there are so many important distinctions across this country – geography, topography, income levels, rural and urban areas, and the list goes on – it is absolutely crucial that Federal, State, and local governments work closely together to ensure that our broadband policies effectively serve every part of our nation.

I appreciate the opportunity to discuss with you today our goals for making broadband available to every American. I thank you for your service to your States and to our great nation, and I look forward to continuing this dialogue with you. Thank you.