

**STATEMENT OF  
CHAIRMAN JULIUS GENACHOWSKI**

*Re:* In the Matter of Universal Service Reform, Mobility Fund, Notice of Proposed Rulemaking, *WT Docket No. 10-208*.

Today we take the next significant step in reforming and modernizing the Universal Service Fund, to update for the 21<sup>st</sup> century our national commitment to bringing the benefits of modern communications to all Americans.

Moving forward on the Mobility Fund implements another key recommendation of the National Broadband Plan. The Broadband Plan recognized the need to expand access to mobile voice and broadband in those areas of our country where it will make the biggest difference. We propose doing so in a way that harnesses the power of the market to ensure efficient government spending.

Consistent with the principles of fiscal responsibility that will guide all our efforts on universal service reform, we will promote our universal service goals without increasing the size of the Universal Service Fund or the burden on American consumers, who ultimately support the Fund.

USF has brought many benefits over the years. This public-private partnership has brought affordable telephone service to virtually all reaches of our country, strengthening communities and our economy.

But the status quo for USF is unsustainable. The current program is designed to support the communications networks of the past, not the future. It is – we have to acknowledge – filled with inefficiencies, providing, for example, annual subsidies of more than \$10,000 a line to carriers serving communities where there are *unsubsidized* competitors. And it is poorly targeted in too many respects, with perverse incentives and the result that millions of Americans remain unserved by broadband.

Representatives Rick Boucher and Lee Terry were right when they said: “The Universal Service Fund is broken.”

At the same time, USF’s mission of making sure all Americans have access to communications services at reasonable rates remains vital. Broadband Internet is supplanting telephone service as our basic communications platform, and it is essential for full participation in our digital economy and 21<sup>st</sup> century democracy. Yet today, up to 24 million Americans in the rural areas served by USF are shut out of the broadband future – either fixed or mobile.

The Universal Service Fund can’t continue moving in the wrong direction. Today’s action begins to right its course. The pro-consumer, pro-market Mobility Fund will begin closing the “mobility gap”: the millions of Americans living in communities that lack current-generation mobile service or, even worse, any mobile service at all, and millions more who work in or travel

through these areas. The Mobility Fund will also create jobs and fuel economic growth, particularly in rural communities.

Here are three key things people should know about the Mobility Fund:

First, in addition to tackling serious mobility gaps, the Mobility Fund is fundamentally about spending limited resources more wisely. The Fund uses existing universal service funds recovered from Verizon Wireless and Sprint, which were receiving duplicative subsidies to serve areas with other mobile voice providers. Verizon Wireless and Sprint surrendered this support as part of FCC-approved transactions, and we will be targeting those funds to areas that truly need it.

Second, the Mobility Fund demonstrates our commitment to using market forces to discipline government spending. We propose using a market mechanism – reverse auctions – to identify the areas where we can get the most bang for the USF buck, and to identify the lowest-cost provider in those areas. The Mobility Fund will unleash private investment and create jobs by providing a one-time injection of seed capital to incentivize private companies to invest in deploying wireless networks in communities that would otherwise be bypassed.

Finally, the Mobility Fund proposal is a model for how we can achieve broader USF reform: efficiently targeting support to spur private investment in 21<sup>st</sup> century networks where support is truly needed, while putting USF on a fiscally responsible and sustainable path.

I thank the staff for their hard work on this item.