



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC, 515 F.2d 385 (D.C. Circ 1974).

FOR IMMEDIATE RELEASE:
October 6, 2011

NEWS MEDIA CONTACT:
Neil Grace (202) 418-0506
Email: neil.grace@fcc.gov

FCC CHAIRMAN GENACHOWSKI UNVEILS ‘CONNECT AMERICA FUND’ PROPOSAL TO REFORM AND MODERNIZE THE UNIVERSAL SERVICE FUND & INTERCARRIER COMPENSATION SYSTEM

*Proposal would help bring consumer benefits of broadband to 18 million Americans who are currently denied access to full economic and social participation;
Unleashing opportunity, innovation, and job creation for all Americans*

Washington, D.C. (October 6, 2011) – FCC Chairman Julius Genachowski today outlined a plan to reform and modernize the Universal Service Fund (USF) and Intercarrier Compensation system (ICC) in a speech delivered at FCC headquarters. The pro-consumer plan will, if adopted by the Commission later this month, reform USF/ICC to unleash enormous benefits including expanded broadband infrastructure for millions of Americans. In addition, the plan will deliver more value for the money for wireless consumers, increase private investment, and spur near-term and long-term job creation. In addition, the plan will provide dedicated support to extend mobile broadband to large areas of the country that are currently shut out from the benefits of advanced mobile services.

Chairman Genachowski said, “Our plan would deliver tremendous benefits for consumers. Accelerated broadband build-out and upgrades to networks mean that millions more consumers of all ages will be able to enjoy the economic and social benefits of broadband. And consumers overall will be treated more fairly, thanks to the elimination of deep inequalities ingrained in the current system, cuts in wasteful spending, and constraints on the growth of a fund that is paid for by consumers. We estimate that wireless consumers will see more than \$1 billion in annual benefits from ICC reform alone.

“If adopted by the Commission, the plan will spur broadband build-out to hundreds of thousands of homes and businesses beginning in 2012. It will help cut the number of Americans bypassed by broadband by up to one half over the following five years, and it will put us on the path to universal broadband by the end of the decade. By connecting millions of unserved Americans who are being left out of the broadband revolution, this plan will bring enormous benefits to individual consumers, our national economy, and our global competitiveness.”

Chairman Genachowski went on to detail the critical ways in which the current USF/ICC system is broken and in urgent need of reform, such as being outdated, wasteful, inefficient, and unaccountable, thus putting increasing burdens on all consumers.

Despite spending \$4.5 billion per year, USF is failing to get broadband to approximately 18 million Americans in rural areas. This plan would ensure money is spent in a more targeted and efficient way, bringing greater fairness and benefit for consumers who pay into USF each month.

The Chairman then offered his plan to transition USF to a Connect America Fund. This Fund would have two core goals:

- (1) Ensuring universal availability of robust, scalable, affordable broadband to homes, businesses and anchor institutions in unserved areas. The Connect America Fund would begin near-term build-out to hundreds of thousands of consumers in 2012, and would ultimately help get broadband to the 18 million Americans who can't get it today.
- (2) Ensuring universal availability of affordable mobile broadband through a new Mobility Fund, which would be part of the Connect America Fund. Deployment of state-of-the-art mobile broadband would be extended to more than 100,000 road miles where Americans live, work, and travel. In addition to a one-time shot-in-the-arm effort to accelerate deployment of 4G networks in 2012, this Fund would provide significant ongoing support for rural mobile broadband.

In addition, the growth of the Connect America Fund would be constrained, keeping hundreds of millions of dollars in consumers' pockets over the coming years. To help achieve this, Chairman Genachowski introduced a competitive bidding process among providers for obtaining universal service support, which would transition over time to a fully competitive system for distributing Connect America Fund dollars. This would be the first time competitive bidding has ever been used in the universal service fund.

On the ICC side, Chairman Genachowski said, "Like USF, the current ICC system is unfair to American consumers. It forces hundreds of millions of consumers across the country to pay higher bills to subsidize monthly local telephone bills as low as \$8 for other consumers. Our reforms would result in major consumer benefits.

"By eliminating billions of dollars in hidden subsidies that are currently built in to wireless and long-distance bills, consumers can expect reduced costs, better value for their money, or both. We estimate that wireless consumers alone would see more than \$1 billion in annual benefits from ICC reform."

The proposed ICC reforms include three main elements:

- (1) Immediately close loopholes like phantom traffic and traffic pumping, and other arbitrage schemes like CMRS-in-the-middle, where some carriers divert wireline traffic to wireless networks to avoid paying ICC. The plan would also provide greater certainty about compensation for VoIP calls that either begin or end on the public switched telephone network, ensuring symmetry in the treatment of such traffic.
- (2) Phase down ICC charges over a measured but certain multi-year transition path, starting by bringing intrastate access rates to parity with interstate rates.

- (3) Help companies transition by employing a tightly controlled recovery mechanism. The plan would permit some companies to receive transitional support from the Connect America Fund, but that support would be accompanied by obligations to serve the public as well as strong oversight and accountability.

**To read Chairman Genachowski's remarks, please see attached document.
Or visit www.fcc.gov**

###