

Prepared Remarks of FCC Commissioner Mignon L. Clyburn
“Transition of Universal Service from Phone to Broadband”
Massachusetts Broadband Conference
Boston, Massachusetts
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Thank you, Commissioner Why, for that gracious introduction and for the opportunity to address you and the conference participants today. I also wish to thank you and your staff for planning and executing such an informative and timely forum for exchange. The focus of our discussions on the economic benefits of broadband, and how we can narrow the digital divide so more Americans can participate in attaining those benefits, are very important. The current Commission’s quest for universal service reform began about 18 months ago, just after the National Broadband Plan was released. It has been a significant focus because we realize that we should and could better address the broadband needs of our great nation, and help eliminate the digital divide. I am quite pleased to be able to stand before you and report some good news on that front.

On October 27, the FCC took a momentous step to reform the Universal Service Fund in order to transform it from a fund that supports voice telephone service in high-cost areas, to one that will also explicitly provide for the deployment of broadband networks. This vote was a long time coming. It was a reflection of the fundamental fact that the communications needs of our nation have evolved over time due to technological advancement, and that the Fund desperately needed to be reformed to reflect those significant factors.

Since its inception, the Fund has been instrumental in providing affordable phone service to most Americans, and that remarkable achievement in no way should be overlooked. But as technology rapidly progresses, broadband access is the gateway by which most Americans obtain critical information, services, and communicate with each other. Every American needs access to broadband. And while the Commission permitted phone companies to invest Universal Service proceeds in broadband-capable networks, the Fund’s mechanisms weren’t designed to directly support areas where broadband isn’t being built.

So sadly, our nation remains digitally divided. The most recent National Broadband Map shows that approximately 18 million Americans lack access to broadband-capable networks at home. They are the “have nots” of the broadband world, and they are denied access to some of the most basic features of modern life, that you or I take for granted: optimally navigating your bank account in real time, accessing late breaking news, or quickly sending an email to a friend from a terrestrial portal.

Citizens and communities are significantly disadvantaged without high-speed Internet. Whether you are in urban or rural America, it’s hard to find a job, complete an application, operate a small business, or finish your homework without broadband. In fact, we know that 80% of Fortune 500 companies require that you apply online, and high school students with access to broadband at home have higher graduation rates. So those Americans who lack broadband access at home and on the go, were first and foremost in my mind as I considered the issues in the reform proceeding.

The Chairman crafted a plan to reform the Fund, which will transform the way we spend \$4.5 billion of the high-cost portion of USF each year. The Commissioners unanimously approved his plan because ultimately it will make the Fund more efficient and effective. First, this plan provides for speedy broadband deployment to unserved consumers, with an injection of capital in 2012, for both fixed and mobile technologies. While we begin to transition legacy support from those areas that don't need assistance, we can begin to make a difference in those areas that are lacking broadband service. Second, this plan ensures that money will be shifted from supporting multiple networks, in areas that don't need support to operate, to areas where a broadband network is still needed. Third, it requires that providers meet firm deadlines with appropriate accountability for the money spent and oversight by the FCC and State Commissions.

Of great importance to me, is the beneficial impact this reform will have on consumers and their communities. It's a basic principle that we all benefit more when everyone is connected. As such, our reform recognizes that broadband, both fixed and mobile, are the services consumers are demanding. Accordingly, all recipients of USF must deploy broadband networks, in addition to offering voice service to consumers. We expect that millions of consumers will get fixed and mobile broadband coverage where they live, work, and travel. 500,000 new jobs in rural America are expected as a result of increased broadband deployment. The annual economic benefits in rural areas from new deployment may reach \$700 million, and the overall economic growth for the country could reach \$50 billion as a result of our reform.

None of this would have been possible without the contributions of many, including those in this room, who participated in the reform proceeding. This was a massive undertaking for our staff, industry, consumer groups, the State Members on our Joint Board, and State Commissioners. I am extremely grateful for everyone's hard work that helped us achieve what I believe is a balanced framework that will ultimately benefit everyone in the U.S.

Early on, the Joint Board recognized the importance of broadband and mobile service, and last year it recommended that the Commission adopt a new principle for universal service—that “universal service support should be directed where possible to networks that provide advanced services, as well as voice services.” I am very proud that we have heeded the advice of our State Members, and have adopted that principle as part of our reform. We also followed their advice and good counsel in other respects, including the elimination of the identical support rule, the formation of a Mobility Fund to direct investment to unserved areas, the support of mobile service in hard-to-serve areas, and increasing accountability and oversight of USF recipients, including build out requirements and reporting obligations to both the FCC and the State Commissions.

Most importantly, our reform of the Fund, builds upon our partnership with the states in protecting consumers. Those states that designate eligible telecommunications carriers for USF purposes will continue to do so, and of course, states will be able to protect consumers through their carrier of last resort obligations. Preserving these traditional roles is essential for consumer protection, but just as important, is our ability to evolve and modify our approaches to regulation as technology advances.

Communications networks are transitioning to Internet Protocol, and consumers are using multiple modes of communication. At the Commission, we cannot function without the states' expertise and knowledge on the ground, to properly execute and operate our new universal service funding mechanisms. For instance, it is essential that State Commissioners assist us, in identifying those areas that currently are unserved by broadband. We want to target our limited resources to those consumers, who do not have any broadband provider offering them service.

Likewise, we will need the states' help in ensuring that those providers who receive funding, meet their public interest obligations to build and serve. I am confident that these reforms are an opportunity for us to continue working hand-in-hand with our State colleagues, to ensure that broadband and advanced services are available throughout the country, and I look forward to our continued partnership with the States in this important endeavor.

In addition to our reform of the USF, we also took a significant step in modernizing the intercarrier compensation regime. We adopted a uniform national bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with a carrier. Under bill-and-keep, carriers will look first to their subscribers to cover the costs of the network, then to explicit universal service support where necessary. The Commission found that bill-and-keep has worked well in the wireless industry, and should be replicated in the wireline industry. We also found that it will help eliminate competitive distortions between wireline and wireless services. Currently wireless is paying wireline, but not vice versa. As such, price signals to consumers are not transparent. Moreover, we determined that a bill-and-keep framework is consistent with and will best promote our overall goals of encouraging and facilitating the transition to IP networks.

ICC is a topic that I spent a great deal of time discussing in meetings and workshops with many of my State colleagues. After much discussion and consideration, some of which involved people sitting in this very room, I accepted the Chairman's proposal that a federal approach was the right outcome. A multi-state process, for reforming intrastate access rates it is believed, would be long, arduous, costly and demanding on the States, with unpredictable and maybe even inconsistent results. That process would perhaps not only build pressure on the FCC to intervene, but it had the potential to create the kind of uncertainty that could harm the deployment of advanced communications services to the consumers who need it most.

Moreover, it's important to remember that the proposed reforms do preserve and recognize the work many States have already completed. The plan provides for replacement funding as intrastate access rates decline, as a result of our reform, which actually relieves the financial burden that would have been on the States in their attempts at reform. We also carefully balanced ICC revenue replacement for providers, with the goal of not burdening consumers with significant increases in their bills or overburdening USF, the latter of which is ultimately paid for by consumer. Again, the Commission believes the overall benefits that will flow to consumers as a result of this reform, will far outpace the minimal price increase they will see on their phone bills as a result of ICC reform.

With each of the reforms, we carefully balanced the need for certainty, predictability and sufficient time to transition for the providers, with the needs of consumers—those who are unserved, as well as all of the consumers who help fund the USF. In addition, we recognize that there may be instances when we will need to specifically review the impact of the total reforms on a particular provider and the consumers it serves. I think that the waiver process we have set out, will give the Commission an opportunity to use a safety net, should we need it, in order to ensure consumers aren't inadvertently harmed. However, I caution parties that a decision to file a waiver should not be taken lightly because the demonstration for a waiver will not be easy. It is focused on whether consumers are at risk of losing service. As such, it will entail a total earnings review of the provider, including regulated and unregulated revenues.

It is no secret that I have a deep connection to rural America, and I believe our reforms will ensure that those citizens who live and work in rural America will be able to adequately compete in our global economy. But I also recognize that these efforts to modernize the Fund and ICC – a decade in the making – may not satisfy all of the concerns that were raised in the proceeding. However, I believe that the Commission has drawn from many competing ideas, to form a balanced framework that will promote significant broadband deployment, as quickly as possible, to millions of unserved consumers in our nation. This will allow us to come even closer to achieving Congress’ goal of providing *all* Americans access to affordable voice and advanced communications services.

That is why I would like to finish where I started today – discussing the purpose behind these reforms. Broadband is one of this generation’s most important challenges because it presents one of our most monumental opportunities. Extending broadband will help us achieve a more equal opportunity for Americans. For those participants who may be disappointed in one aspect or the other of the reforms, I would ask something that you may seldom hear: that you reconsider filing a lawsuit against the reforms. Instead, I ask that we work together to complete and perfect these reform efforts. By doing so, we can ensure that the transition of the Fund from voice to broadband, opens the door for every citizen to become a part of our digital economy. When that occurs, the decade-long struggle to achieve these reforms will have been well worth the effort.

While USF and ICC reforms are extremely important for ensuring that basic and advanced communications services are physically available to all Americans, these services cannot *truly be available*, if consumers cannot afford to purchase them, if they cannot acquire the devices they need to access them, or if they cannot attain the skills they need to know how to use these services. I appreciate those who have called for us to address these consumer needs, and I agree that we need to do more in this area. Our broadband adoption task force is working diligently to find solutions to these issues, and I fully expect that we will be addressing the proposal in our Lifeline proceeding, to adopt pilot projects for broadband adoption to benefit low-income Americans prior to the end of the year. I look forward to our continued work with our task force, including the Lifeline proceeding, so that we can make more headway on this significant issue for consumers. And I am pleased that we recognize in the USF reform, that any savings from high-cost may be used to address the broadband adoption needs.

Thank you for the chance to speak with you today, and let me take this opportunity to say that the dedication and hard work of the staff at the FCC in this proceeding was incredible. Everyone made many personal sacrifices over the last few months, and the American people should be really proud and will benefit for years to come. Thank you.