

**STATEMENT OF  
COMMISSIONER MIGNON L. CLYBURN**

Re: *Connect America Fund*, WC Docket No. 10-90, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Mobility Fund*, WT Docket No. 10-208, *ETC Annual Reports and Certifications*, WC Docket No. 14-58.

For most Americans, going without their smartphone, tablet or access to the Internet for any length of time is difficult – indeed, most in this room can barely get through a Commission meeting without checking and sending email or contributing to social media accounts. What we too often take for granted, however, is that this engagement is one in which millions of Americans do without every single day – denying them the advantages and opportunities, access to broadband provides: getting a better education, utilizing advanced, remote, healthcare monitoring, finding the best job, working from home, maintaining connections with loved ones, and participating in civic engagement.

Congress directed this Commission to ensure that *all* Americans, including low income Americans, have access to advanced telecommunications and information services. In 2011, the FCC, after years of good faith efforts faltered, comprehensively reformed its universal service and intercarrier compensation regimes and put this country on a path to further close these divides.

This was no easy task for changes to any entitlement program are always difficult. But I am proud to have been part of a landmark decision that has already paved the way to connect over a million Americans with broadband for the first time, provide mobile coverage to tens of thousands of road miles, and connect over 50,000 people living on Tribal lands with access to mobile broadband. We also reformed intercarrier compensation in a manner that stopped the unpredictable declines in revenues and provided carriers with certainty and predictability regarding future revenues.

At the same time, I have always made clear that we should be open to make course corrections when appropriate. The *USF/ICC Transformation Order* is nearly 800 pages long and was bound to include policies, however well intended, that did not quite achieve our objective or take into account a market that developed differently than anticipated.

So I support today's item because it continues down the path of reform, while making needed adjustments and asking questions to ensure that we use universal service funds as prudently and efficiently as possible. There is no question that an item this broad in scope would include pieces I would have drafted differently but overall it strikes the right balance. I would like to take a moment to highlight a few aspects.

*The Mobility Fund*. I strongly supported the creation of the first universal service fund dedicated to mobility to ensure that consumers have access to mobile broadband services by providing ongoing support to providers in rural and high cost areas. I am pleased that Mobility Fund Phase I and Tribal Mobility Fund Phase I are in the process of connecting tens of thousands of previously unserved areas and populations.

Today's item proposes to retarget the Mobility Fund Phase II in light of marketplace developments. I appreciate the support of Chairman Wheeler and my colleagues to propose to retain a dedicated Mobility Fund focused on preserving service that exists today due to support from the universal service fund and extending service to areas unserved by 4G LTE. If the size of the refocused Mobility Fund II is less than the \$500 million adopted in the *USF/ICC Transformation Order*, the item proposes to

use unused funding to extend broadband through Connect America Phase II or the Remote Areas Fund. This proposal furthers our goal of ensuring that all Americans have access to advanced services, such as 4G LTE, while continuing to extend broadband through Connect America Fund.

At the same time, I was concerned about continuing to phase down competitive ETC support before the Commission finalizes a retargeted Mobility Fund Phase II. Without sufficient data on how small and regional carriers are using competitive ETC support today, continuing the phase down could put consumers at risk of losing mobile service, which is in tension with the directive in the statute for the Commission to set policies based on the “preservation and advancement, of universal service.” For these reasons, I advocated including the pause in *USF/ICC Transformation Order*. I am once again grateful for the support of my colleagues to propose to retain the pause so that small and regional providers will have certainty about the opportunities of a retargeted Mobility Fund Phase II before the phase down continues.

*Rate Floor.* There has been a significant focus recently on the Commission’s rate floor. Concerns have been raised about affordability in rural areas and I share them. But my concern rests not only with rural areas. We should also be asking *why* rates increased so unexpectedly in urban areas, where significant poverty levels exist and the cost of living tends to be higher.

Had the urban rate average stayed fairly constant, the rate floor would not have increased much above the current \$14 and we would not even be having this debate. Coincidentally, urban rate increases occurred around the time that states deregulated their local end user rates. And, I note the highest monthly rates rest with the non-incumbent VoIPs, which typically are not regulated.

So, yes, concerns about the affordability of rates in rural **and urban** areas are valid – but the mechanism to address these concerns, I believe rests with our Lifeline program – not the program, which subsidizes the cost of networks in high cost areas without any regard to the wealth demographics of a given area.

*Rate of Return Reforms.* The item also reconsiders several rules from the *USF/ICC Transformation Order*, regarding reforms to rate of return carriers, including the safety net additive, for carriers that qualified due to investment, and the benchmark rule also known as the quantile regression.

While I agree that the benchmark rule did not necessarily achieve its intended goal of rewarding carriers that invested efficiently with additional support, I do have concerns about returning to the old HCLS “race to the top” rule, where carriers with the highest costs get support and carriers with lower costs receive little or no support. I want to thank Commissioner O’Rielly for working with my office on this issue and I appreciate the Chairman for addressing these concerns, with specific proposals to reform HCLS in the near term while seeking comment on a long-term solution for rate of return carriers consistent with the goals of the *USF/ICC Transformation Order* of expanding broadband while encouraging and rewarding increased efficiency.

Rate of return carriers often operate in the hardest to serve rural areas – such as Moncks Corner, South Carolina, where I spent many summers and weekends, and areas that need and benefit from broadband connectivity. I look forward to working with my colleagues in moving quickly to adopt near-term and long-term reforms.

*Competitive Process/Phase II.* The item makes significant progress adopting and proposing the rules for the Connect America Fund competitive bidding process. In particular, I support the decision to enable providers to receive ETC designation after being selected in the competitive bidding process. This retains the critical state role in the ETC process while encouraging the broad participation in the competitive process.

The Commission also seeks comment on aspects of the right of first refusal process, including whether the speed should evolve and also proposes public interest and broadband deployment obligations for insular areas that elect to continue to receive frozen support. Finally, I applaud the Wireline Competition Bureau's tireless work that culminated in the adoption of the cost model yesterday – a significant achievement in and of itself.

As I said when the Commission adopted the *USF/ICC Transformation Order*, this is a marathon, not a sprint and the progress we are making today will put us ever so close to the finish line, but we have more work to do.

I again thank the dedicated staff of the Wireline Competition Bureau, the Wireless Telecommunications Bureau, Rebekah Goodheart in my office, as well as the many other offices and Bureaus that worked so hard on this item.