

**SEPARATE STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN
Approving in Part, Concurring in Part**

Re: Universal Service Contribution Methodology; Federal-State Joint Board on Universal Service; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms; Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size; Numbering Resource Optimization; Telephone Number Portability; Truth-in-Billing and Billing Format; IP-Enabled Services; WC Docket No. 06-122, CC Docket No. 96-45, CC Docket No. 98-171, CC Docket No. 90-571, CC Docket No. 92-237, CC Docket No. 99-200, CC Docket No. 95-116, CC Docket No. 98-170, WC Docket No. 04-36, Report and Order and Notice of Proposed Rulemaking (June 21, 2006).

My commitment to universal service is based on the fundamental belief that a chain is only as strong as its weakest link. Our universal service programs strengthen the links in our communications network. The Commission is charged under Section 254 of the Act with establishing “specific, predictable, and sufficient” support mechanisms to preserve and advance universal service. I support this Order because we take steps here, by increasing the safe harbor for wireless carriers and including interconnected VoIP providers in the contribution base, that are consistent with our obligation to keep universal service on solid footing.

I concur in part to this Order, however, because I am concerned that we leave unanswered important questions about our long-term approach for the foundation of these vital programs. Congress clearly contemplated that our universal service programs would evolve as technology evolves, and it is paramount that the Commission not undercut the role that universal service and our communications systems will play in the future of Rural Americans, low income citizens, and our nation’s schools and libraries.

Universal service has been the bedrock telecommunications policy of the past seventy years. Congress and the Commission recognized early on that the economic, social, and public health benefits of the telecommunications network are increased for all subscribers by the addition of each new subscriber. Universal service has played an important role in stimulating and maintaining the high levels of penetration that our country now enjoys, with benefits for all users of the network, no matter where they live.

Given these benefits, it is not surprising that Congress enshrined the principles of keeping our communities connected and ensuring that the latest advanced communications services reach all Americans in the Telecommunications Act of 1996. In the 1996 Act, Congress reaffirmed its commitment to connectivity for rural America and for low income consumers, but also made important additions to our universal service framework. Through the addition of the Schools and Libraries program, we have opened a world of new learning and opportunity for millions of school children and library patrons. In addition, the funding made possible through our Rural

Health Care program has been crucial to the sustainability of many telemedicine programs and this program holds enormous potential to improve the quality of life in rural America.

To ensure continued success, we must remain committed to providing specific, predictable and sufficient support mechanisms based on equitable and non-discriminatory contributions. For that reason, I support our decision to increase the wireless carrier safe harbor so that it may better reflect the industry's level of interstate revenues. I also support the inclusion of interconnected VoIP services which are increasingly viewed by consumers as a replacement for traditional analog voice services.

To their credit, many wireless carriers and interconnected VoIP providers have acknowledged the need to contribute to the universal service support mechanisms. At the same time, I have heard concerns about how the Commission implements its specific contribution provisions. So, I was pleased that this Order continues to allow carriers a choice by preserving their ability to calculate their actual interstate revenues, use traffic studies, or use a safe harbor mechanism. I also support our decision to adopt a simultaneous NPRM, through which we seek comment on whether to further refine several technical issues related to the use of safe harbors and traffic studies, if changes are appropriate.

One overarching question that is largely unaddressed in this Order, however, is how our universal service contribution policies should evolve as we move into the broadband age. As we upgrade our nation's communications networks to provide broadband functionality and advanced communications services, our children will rely on and integrate communications tools into their lives in ways that we are only beginning to see. Last August, the Commission embarked on an uncharted path by reclassifying broadband Internet access services as information services, outside the framework of our traditional Title II authority. Nowhere is this path more murky than in the case of universal service, where reclassifying these services removes their revenues from the mandatory contribution requirements of section 254. At the time of the reclassification, the Commission adopted a transitional mechanism to stabilize funding for universal service support and made an extraordinary commitment to preserve and advance universal service. Those provisions in the Broadband Reclassification Order were critical to my support of the item.

I fully support the efforts to expand the contribution base in today's Order but, as we edge toward the close of the Commission's interim contribution plan, there remain important unanswered questions. Despite the best efforts of our talented staff, it is difficult to forecast the precise impact of the measures we adopt today on overall contributions. Indeed, this Order makes no definitive findings about what level of contributions will be recovered through these changes. This Order also does not attempt to analyze the extent of the Commission's decision last August on the overall revenues available for universal service purposes. It is clear, however, that exempting broadband Internet access revenues would remove a sizable and rapidly-growing segment of the telecommunications sector from the contribution base. That Congress contemplated that our universal service mechanisms would evolve as technology evolves is certainly evidenced in the broad permissive authority it gave the Commission to expand the contribution base. As I said at the time of the reclassification, I would have preferred to exercise our permissive contribution authority to address this potential decline in the contribution base

permanently. For these same reasons, I concur in part to this item, which preserves a status quo with respect to universal service that strikes me as inconsistent with the intent of Congress and an evolving level of universal service.

Although the Commission has not yet reached a decision on this larger issue, I remain committed to universal service and look forward to working with my colleagues to ensure that we take the appropriate steps to ensure that universal service remains on solid footing and that contributions are made on an equitable and nondiscriminatory basis. Working together, we can further strengthen the program and ensure that it continues the positive strides that it has already made.