

**STATEMENT OF
CHAIRMAN KEVIN J. MARTIN**

High-Cost Universal Service Support; Federal-State Joint Board on Universal Service (WC Docket No. 05-337; CC Docket No. 96-45)

I am pleased that the Federal-State Joint Board on Universal Service recommends measures to the Commission to address the rapid growth in the high cost universal service program. It is essential that we take actions that preserve and advance the benefits of the universal service program.

The United States and the Commission have a long history and tradition of making sure that rural areas of the country are connected and have similar opportunities for communications as other areas. I believe our universal service program must continue to promote investment in rural America's infrastructure and ensure access to telecommunications services that are comparable to those available in urban areas today, as well as provide a platform for delivery of advanced services.

Changes in technology and increases in the number of carriers that receive universal service support, however, have placed significant pressure on the stability of the Fund. A large and rapidly growing portion of the high cost support program is now devoted to supporting multiple competitors to serve areas in which costs are prohibitively expensive for even one carrier. These additional networks in high cost areas don't receive support based on their own costs, but rather on the costs of the incumbent provider, even if their cost of providing service is lower. The Recommended Decision emphasizes the problems of maintaining the equal support rule. The recommendation also caps competitive ETC funding to address the escalating impact of this problem. I would argue that if a competitive ETC can demonstrate that its costs meet the support threshold in the same manner as the rural provider, the competitive ETC should receive support, despite the cap. Thus, a preferable rule would be to cap those providers that do not receive support based on their own costs.

Today's recommendation is not an end in itself, but rather signals the need for comprehensive reform. Among the reform ideas the Joint Board continues to consider is the use of reverse auctions (competitive bidding for support in defined areas) to determine high-cost universal service funding for eligible telecommunications carriers. I believe that reverse auctions could provide a technologically and competitively neutral means of controlling the current unsustainable growth in the fund and ensuring a move to most efficient technology over time. Although the use of reverse auctions is one way of limiting the growth of the fund, I will give any recommendation submitted by the Joint Board my full consideration and remain open to other ideas that could restrain fund growth and prioritize investment in rural and high cost areas of the country.

I look forward to working with my colleagues at the Commission to address the Joint Board recommendation in a timely manner. I also look forward to a continued dialogue with my Joint Board colleagues as the Joint Board continues to address comprehensive and fundamental reform.