

**STATEMENT OF  
CHAIRMAN KEVIN J. MARTIN**

*Re: High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Alltel Communications, Inc., et al. Petitions for Designation as Eligible Telecommunications Carriers, RCC Minnesota, Inc. and RCC Atlantic, Inc. New Hampshire ETC Designation Amendment, WC Docket No. 05-337, CC Docket No. 96-45.*

Today, we act to stem the explosive growth of the Universal Service Fund (Fund) by capping total annual high-cost universal service support for competitive eligible telecommunications carriers (ETCs) at the level of support that they were eligible to receive in each state during March 2008. This action is essential to preserve and advance the benefits of the universal service program while we consider comprehensive reform.

The United States and the Commission have a long history and tradition of ensuring that rural areas of the country are connected and have similar opportunities for communications as other areas. 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 competitive ETCs don't receive support based on their own costs, but rather on the costs of the incumbent provider, even if their costs of providing service are lower.

Indeed, growth in required contributions to the Fund is largely attributable to these competitive ETCs. High-cost support to competitive ETCs has grown from approximately \$1.5 million in 2000 to well over \$1 billion in 2007. Left unchecked, this staggering growth threatens the sustainability of the Fund.

A year ago, the Federal-State Joint Board on Universal Service recommended capping competitive ETC funding to address the escalating impact of this problem. I supported that recommendation, and six months ago, I proposed the cap we adopt today.

Today's decision is not an end in itself, but a step on the path towards comprehensive reform. I continue to believe the long-term answer for comprehensive reform of high-cost universal service support is to move to a reverse auction methodology and to require that high-cost support be based on a carrier's own costs. I'm supportive of these measures to contain the growth of universal service in order to preserve and advance the benefits of the Fund and protect the ability of people in rural areas to continue to be connected. I look forward to working with my colleagues as we consider comprehensive reform.