

**DISSENTING STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN**

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.

Universal service has long been at the heart of telecommunications policy. The resulting benefits – economic and social, in health care and education – accrue to us all, no matter where we live. So I take seriously our directive under the Act to ensure the continued vitality of universal service and am extremely grateful to the members of the Federal-State Joint Board on Universal Service for their multiple recommendations. Despite the importance and magnitude of the challenge of developing meaningful long-term improvements to our universal service policies, the Commission focuses today solely on the narrow question of whether to cap support for competitive eligible telecommunications carriers (CETCs). After careful deliberation, I dissent from this Order, which, I conclude, amounts to a step backwards in universal service policy rather than a step toward the future.

While I am deeply skeptical about the imposition of artificial caps on universal service, I have long been concerned about fund growth and the need to manage scarce resources responsibly. One apparent obstacle to that goal is the current designation process, which gives State commissions strong incentives to designate additional universal service recipients but places no corresponding financial responsibility for those designations. Going back to my days on the Joint Board, I have urged both our Commission and our State commission colleagues to exercise caution in granting CETC designations. Yet, the cap mechanism adopted by the Commission today suffers from a major flaw because it penalizes most harshly the very States that heeded calls for discretion in the designation process.

I would have preferred that the Commission take more meaningful measures to address growth of the fund, such as eliminating the Commission's so-called identical support rule, tightening the designation process and improving the Commission's audit processes. In this respect, I appreciate the majority's efforts to address a number of my concerns with this revised cap mechanism, such as creating an exception for CETCs that document their own costs. I am also pleased that the Commission recognizes the unique nature of Tribal lands and Alaskan Native Regions, many of which face devastatingly low telephone penetration rates and high barriers to deploying advanced communications. A limited exemption should help maintain incentives for carriers to bring services to these hard-to-serve areas.

As technology and the marketplace rapidly reshape the communications landscape, we face difficult questions about how our universal service policies should keep pace. Our larger challenge is preserving and advancing universal service amidst these changes. At the same time, we remain ever mindful that it is consumers who ultimately fund universal service contributions. This means that universal service must evolve, as Congress intended. In particular, universal service can and must be an integral part of meeting our nation's broadband challenge. We also must craft our universal service policies with an eye towards their impact on providers of last resort, the deployment of spectrum-based services, the competitive marketplace, and the role of the states. The time is now to tackle these issues in earnest, lest time and technology render our policies obsolete.

I share the concern expressed by so many commenters and Members of Congress that this decision to impose a cap, while labeled "interim," may be used as an excuse for foot dragging. Our choices regarding long-term universal service reform will require hard work and the input of a wide range of providers, state commissions, and consumer interests. Rightly so, for our decisions will have a dramatic effect on the ability of communities and consumers in Rural America to thrive and grow with

the rest of the country. Yet, today, we do not meaningfully advance those discussions. Rather, the entire debate over the cap has, in fact, been a distraction from tackling the underlying issues.

With the question of a cap now decided, the Commission must now turn its attention back to developing long-term solutions for universal service. I would like to again thank the Members of the Joint Board for their considerable efforts to deliver recommendations for comprehensive reform. The Commission has now sought comment on no less than three reform proposals. While I am not without reservations about some of them, it is time for the Commission to rededicate itself to ensuring that universal service continues to meet our communications challenges and stays vibrant in a broadband age. I look forward to the coming dialogue with Members of Congress, our state commission colleagues, consumers, providers, and the many others with a stake in the future of universal service.