

**STATEMENT OF  
COMMISSIONER ROBERT M. McDOWELL**

*Re: Connect America Fund, WC Docket No. 10-90, A National Broadband Plan for Our Future, GN Docket No. 09-51, High-Cost Universal Service Support, WC Docket No. 05-337*

Today we take an important first step on our journey toward badly needed Universal Service reform. USF is America's largest telecommunications subsidy program, which redistributes nearly \$9 billion per year. If we have been able to agree on only one thing at the FCC, it is that the Universal Service subsidy system is antiquated, arcane, inefficient and just downright broken. For instance, since 1998 the contribution factor has increased from 5.53 percent to more than 15 percent today. Positive and constructive change must happen as soon as possible.

In November of 2008, the Commission came close to a bi-partisan, groundbreaking agreement to resolve many of the most vexing challenges facing not only Universal Service but intercarrier compensation as well. Unfortunately, needless roadblocks were thrown in our way. But today we have an opportunity to regain our momentum and pursue honest, constructive and comprehensive reform for the benefit of American consumers.

I therefore support the Notice of Proposed Rulemaking ("NPRM") and Notice of Inquiry ("NOI") regarding Universal Service reform now before us. First, the NOI seeks comments as to whether the Commission should use a cost model for a new support mechanism for broadband. And, if so, the NOI seeks comments on how a model should be structured. Second, the NPRM seeks comments on potential ways to contain the growth of the fund through cuts in the existing system, putting out for comment the cuts that were outlined in the Broadband Plan and also soliciting additional ideas. I am encouraged and pleased that we are seriously examining the possible benefits of employing reverse auctions.

As I have mentioned over the years, comprehensive Universal Service reform must adhere to five basic principles. The Commission should:

- (1) contain the growth of the Fund;
- (2) in a limited and fiscally sound manner, explore the possibility of broadening the base of contributors;
- (3) reduce the contribution burden;
- (4) ensure competitive neutrality; and
- (5) eliminate waste, fraud and other abuses of the system.

To achieve effective and meaningful Universal Service reform, the Commission will need to engage in a complex analysis of potential costs surrounding any changes to the fund. Today's NPRM and NOI start that process.

I thank the Chairman for his leadership in this area. I also thank Sharon Gillett and the diligent team in the Wireline Bureau for your tireless work on these issues. I look forward to working with you and my colleagues on an expeditious, transparent and fair process in pursuit of sensible reforms.