

**STATEMENT OF
COMMISSIONER MEREDITH ATTWELL BAKER**

Re: *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109

It is far from newsworthy that our universal service and intercarrier compensation regimes are unsustainable as currently structured and overdue for a significant overhaul. The Commission has struggled for the past decade with how to reform these regimes and shift their focus to tomorrow's networks and challenges. It is also self-evident how critical these regimes have been for carriers—small, mid-sized, and large—to deliver telephone service nationwide, as well as deploy much of today's broadband infrastructure. I support the *Notice's* comprehensive approach to reform universal service and intercarrier compensation.

In this proceeding, we must resolve the intractable issues that have frustrated prior Commission reform efforts and put these programs on a path to long-term sustainability with a clear focus on a new national challenge, universal broadband availability. Newly configured and purpose-built programs will be necessary so that all Americans, particularly those in rural America, have a clear path for a bright broadband future.

Many providers are justifiably concerned about how reform could affect their network investments, service to customers, and even their financial viability. We need to move quickly to provide clarity to all providers as to future shape of these regimes, and to take full advantage of this limited window of opportunity for real reform. We have to acknowledge that the uncertainty surrounding the future of existing revenue streams has consequences on consumers today, inhibiting the ability of providers to justify network investment, slowing broadband deployment. In moving ahead with reform, we must embrace an IP-based broadband future without depriving providers overnight of existing revenues critical to private investment in our broadband infrastructure. I support the *Notice's* focus on this long-term objective with clear recognition of the need to avoid flash cuts in existing support.

I also support the sensible approach in the *Notice* to design new funding mechanisms for broadband. We should resist the urge to simply layer broadband funding on to the top of today's fractured system or to start offering duplicative broadband support in addition to existing voice-based support. We need a fresh approach that drives our telecommunications infrastructure from voice to broadband and from circuit-switched to IP. It is more fiscally responsible and prudent to craft broadband-specific programs that can better ensure accountability, efficiency, and adequate funding in areas where market forces are not sufficient to drive broadband services to America's consumers.

I also appreciate the *Notice's* overall focus on the need for cost-containment. The total universal service fund has grown from \$2.3 billion in 1998 to nearly \$9 billion today. The high-cost fund alone has increased from \$1.7 billion in 1998 to \$4.4 billion today. Consumers pay for this. The universal service contribution factor this quarter is at an all-time high of 15.5 percent. This is real money from real people. It is our obligation to ensure that money is spent wisely to achieve the goals set out by Congress. Taking affirmative steps to stop runaway growth in all

parts of the universal service program is crucial, but it is not—standing-alone—sufficient reform. Simply shifting the billions spent on voice subsidies to broadband subsidies would forfeit a unique opportunity to ensure that funding is properly targeted and directed at only those communities that require ongoing support, and that the billions collected from consumers is expended in a fiscally responsible manner.

There are significant and difficult decisions ahead, and it will be important for all of us to work together to redefine universal service and intercarrier compensation for the broadband age.