

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

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; *Mobility Fund*, WT Docket No. 10-208

Today, we take a momentous step in our efforts to harness the benefits of broadband Internet for every American.

I am tremendously grateful to each of my colleagues for working hard and working together to get us here.

This is a once-in-a-generation overhaul of universal service, keeping faith with the nation's long commitment to connecting all Americans to communications services.

We are taking a system designed for the Alexander Graham Bell era of rotary telephones and modernizing it for the era of Steve Jobs and the Internet future he imagined.

We are reaffirming for the digital age the fundamental American promise of opportunity for all.

We are furthering our national goal of connecting the country to wired and wireless broadband.

And we are helping put America on its proper 21st century footing, positioning us to lead the world in a fiercely competitive global digital economy.

Infrastructure has always been a key pillar of American economic success, with telephone and other infrastructure connecting consumers and businesses, facilitating commerce, and unleashing innovation. Broadband is the indispensable infrastructure of our 21st century economy.

Recognizing this fact, for years, respected voices have called universal broadband an essential ingredient for American economic competitiveness and job creation. In its 2007 report *Rising Above the Gathering Storm*, the National Academy of Sciences said that “[a]ccelerating progress toward making broadband connectivity available and affordable for all is critical” and urged government to “take the necessary steps to meet that goal.” Our National Broadband Plan correctly called extending wired and wireless broadband to all Americans the “great infrastructure challenge of the 21st century.” And last year, IBM CEO Sam Palmisano expressed a view from CEOs, governors, mayors, and consumers. He implored policymakers to “fix the bridges, but don’t forget broadband,” and said that “a pervasive broadband infrastructure would be a powerful generator of new jobs and economic growth.”

Today, building on years of hard work by the FCC and on Capitol Hill, this Commission is acting unanimously – and on a bipartisan basis – to meet this critical national challenge, and bring the Universal Service Fund and intercarrier compensation system into the broadband age.

Our action will enable millions more Americans to work, learn and innovate online. It will open new vistas of digital opportunity, and enhance public safety. It will create jobs in the near term, and lay the foundation for enduring job creation, economic growth, and U.S. global competitiveness for years to come.

Today's reforms of the multi-billion dollar Universal Service Fund will bring real benefits to consumers and communities in every part of the country.

Over the next year, the Connect America Fund will bring broadband to more than 600,000 Americans who wouldn't have it otherwise. Over the following five years, millions more rural families will be connected. And today's Order puts us on the path to get broadband to every American by the end of the decade – to close the broadband deployment gap which now stands at close to twenty million Americans.

We are also extending the benefits of mobile broadband coverage to tens of thousands of unserved road-miles, areas where millions of Americans work, live, and travel. These are areas of frustration and economic stagnation for so many people – where mobile connections are needed but unavailable, where small businesses lose out on customers and productivity, and where people in traffic accidents can't reach 9-1-1.

Today, we make mobility an independent universal service objective for the first time, providing dedicated support through the world's first Mobility Fund. Over the next three years, we will provide almost \$1 billion in funding per year for universal mobility.

Mobile is one of the fastest-growing and most promising sectors of our economy, and having the world's largest market for 3G and 4G subscribers will be a key competitive advantage enabling us to lead the world in mobile innovation.

New wired and wireless broadband will be a lifeline for rural communities currently being bypassed by the Internet revolution. Young people who didn't see a future in their small hometowns will now be able to access a new world of opportunity. Entrepreneurs in small towns won't need to move to the big city to live their dreams; instead, small business owners doing everything from selling beef to starting hunting lodges – like residents I met in Nebraska wanted to do – will be able to reach customers in the next town, city, state or country, and boost their efficiency and productivity through cloud-based services.

Today's action will empower small businesses that otherwise couldn't exist in small-town America, and create new jobs in those communities.

This includes farmers, who need broadband to access commodity pricing, crop information, real-time weather reports, and online auctions. During our process, we heard this directly from farmers in rural America.

Today's action will help connect anchor institutions, which can play a vital role – for example, in expanding basic digital literacy training – in a world where broadband skills are necessary to find and land jobs.

Today's action has the potential to be one of the biggest job creators in rural America in decades. We estimate that the Order as a whole will unleash billions in private sector broadband infrastructure spending in rural America over the next decade, creating hundreds of thousands of

jobs. And by empowering millions more Americans to engage in e-commerce – as buyers and sellers – the Order will grow the size of our overall online marketplace and provide a boost for Main Street businesses across the country.

Today’s action will change the landscape for students who are now unserved by broadband – providing educational opportunity that would otherwise be denied.

In now-unserved areas, it will change the landscape for seniors and people with illnesses – providing remote diagnostics and treatment to people who would otherwise have no access or would have to travel for hundreds of miles to get care.

And it will enable parents in now-unserved areas to finally connect with their children in military service overseas through video chat or other modern communications means that require broadband.

By constraining the growth of existing programs, today’s reforms will also minimize the burden those programs place on all consumers, keeping hundreds of millions of dollars in consumers’ pockets over the next several years. Our overhaul of the intercarrier compensation system will gradually eliminate the billions of dollars in hidden subsidies currently paid by consumers across the country through their wireless and long distance phone bills. Our staff estimates that the consumer benefits of ICC reform will be more than \$2 billion annually. Consumers will get more value for their money and less waste.

These material benefits flow directly from the policy principles and structural reforms that we’ve embraced in this Order.

The reforms implement the idea that government programs should be modernized to focus on the strategic challenges of today and tomorrow, not yesterday. Starting today, USF will be transformed into the Connect America Fund, which will directly take on our country’s 21st century infrastructure challenge by enabling the private sector to build robust, scalable, affordable broadband to homes, businesses, and anchor institutions in unserved communities.

Our ICC reforms will also advance the deployment of modern Internet Protocol networks. And as the telephone network transitions to an IP network, the Order affirms our expectation that carriers will negotiate in good faith on IP-to-IP interconnection for voice traffic.

Today’s Order also recognizes the growing importance of mobile broadband. As I mentioned, today for the first time we make mobility an independent universal service objective, and take significant concrete steps to meet that objective.

Also a first, today’s Order brings market-based competitive bidding into universal service support. In a series of ways, including auctions, we have structured distribution of public funds to ensure real efficiency and accountability in the Connect America Fund.

For the first time, our Order puts the Fund on a firm budget. Fiscal responsibility was a principle we announced on Day One, and we’ve adhered to that in this Order, protecting the interests of the millions of consumers who contribute into the Fund. And we put in place a series of reforms to eliminate duplicative funding and other funding where it’s not needed and can’t be justified. We also end arbitrage schemes that take advantage of gaps, closing loopholes in our rules.

Faced with many complex and nuanced policy questions, I believe this Commission has reached the right solutions because we've approached these issues the right way.

We did not rubber stamp or adopt wholesale the proposals of any stakeholder or group of stakeholders. Instead, we made our decisions on what's right for the American people and our economy based on facts and data gathered in one of the most extensive records in FCC history, including hearings and workshops across the country, and more than 2,700 substantive comments totaling tens of thousands of pages.

We have focused on putting consumers first, calibrating the policies we adopt to maximize consumer benefit. We have been careful to ensure that affected companies have predictable and measured transition paths so they can keep investing in their networks to better serve consumers and support our economy. And we have brought increased clarity to areas of uncertainty created by tensions between new communications services, like VoIP, and old rules.

Getting to this point wasn't easy. It required us to make some tough choices about what the Connect America Fund – and consumers – could and could not support.

Some proposals would have required consumers to pay a greater share of the costs of reform, or increased the size of the Fund. That would have put too much of a burden on consumers during these difficult economic times.

Some said that we should dramatically reduce the size of the Fund – but that would have left behind the millions of Americans being bypassed by broadband and with no prospect of broadband connectivity.

Some would have had us operate as if we were writing on a blank slate – but that would have risked needless consumer disruption, build-out delays, and other unintended and undesirable consequences.

Getting to this point not only required tough choices, it required the engagement of many stakeholders around the country, of our partners in the federal government, the states, Tribal communities, the private sector, and the non-profit and consumer advocacy community. I appreciate the broad level of constructive engagement. That very much includes the many members of Congress, on both sides of the aisle, who have worked for years to reform and improve universal service, and whose ongoing and constructive input is reflected in our action today. There are too many to thank individually, but I am grateful to all of the members of Congress who provided input and guidance.

The President has been a consistent leader on broadband and the opportunities of technology, and our actions today help meet national goals of universal access to wired and wireless broadband.

I also want to thank our state partners, who pioneered many of the reforms we adopt today. Moving forward, I am pleased that the states will continue to play a vital role, including a role in ensuring that consumers are well served by our universal service program.

I'm deeply grateful to my fellow Commissioners, who have worked tremendously hard to make today possible. Commissioners Copps and McDowell have been fighting to fix these programs for years, and Commissioner Clyburn's strong experience at the state level in South Carolina has been invaluable in our efforts. From top to bottom, today's Order reflects the

seriousness of purpose and thoughtful input of each of my colleagues on the Commission. It is a better Order as a result, and I thank each of you.

At a time when citizens want solutions, not gridlock, I'm proud that this Commission is approving bipartisan reform of a broken system, reform that will deliver massive benefits for the American people.

This would not have happened without the tremendous work of the staff, without whom we would not have been able to finally accomplish a goal that's been elusive for many years: making reform a reality. Our staff has not only worked hard, they have performed brilliantly – crunching numbers, mastering complex technologies, and operating at a world-class policy level. Today's Order is the product of that tremendous effort. I particularly want to thank the leadership team that managed this process: Sharon Gillett, Ruth Milkman, Carol Matthey, Rebekah Goodheart, Jim Schlichting, Michael Steffen, and many others in our Wireline and Wireless Bureaus, our General Counsel's office, and throughout the agency. I also want to acknowledge the work of the team that developed our National Broadband Plan for laying the groundwork for these reforms. And I want to particularly salute and applaud Zac Katz in my office, the quarterback of our USF and ICC modernization effort. Without your leadership, persistence, and savvy, these reforms simply could not have happened.

Of course, our work is not yet done. We have implementation work ahead, and there will continue to be intensive engagement with all stakeholders in response to the Further Notice of Proposed Rulemaking we adopt today, and in the months to come.

And we still face a tremendous challenge in increasing broadband adoption, an ongoing barrier to opportunity in both rural and urban areas. While there's no silver bullet, the Lifeline portion of USF is part of the solution – including a significant investment in broadband adoption pilot programs. I've asked the staff to gear up Lifeline reform for action this year.

But wait, there's more. As my colleagues have also noted, there's work to do on the contribution side. That's another important USF topic the Commission will address.

I'll leave you with a closing thought. In the 1930s and 1950s, when Presidents Roosevelt and Eisenhower directed federal funding to roads, tunnels, bridges, and the national highway system, they were investing in then-current technologies to connect our people and our communities. The same was true for electricity and telephone service, also key 20th century universal service achievements. These investments have paid tremendous dividends for our economy and our country.

Broadband Internet truly is the information superhighway – the key connective infrastructure of the 21st century. It's what will drive our competitiveness, our economy, and broad opportunity for decades to come.

Our action today is firmly rooted in sound principles that have served our country well in the past, and I'm confident it will help deliver a bright future for all Americans.