

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42; *Lifeline and Link Up*, WC Docket No. 03-109; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 12-23

For more than 25 years, the Lifeline program has played a vital role in ensuring that the neediest among us stay connected to our communications networks.

Today, the FCC reforms and modernizes the program for the 21st century, eliminating waste and misuse of public funds, imposing fiscal discipline and accountability, and ensuring that the program satisfies Congress's directive that – quote – “[c]onsumers in all regions, including low-income consumers ... should have access to telecommunications and information services.”

The reforms we're adopting today are major. This is a fundamental overhaul to make sure that an important program is efficiently and effectively meeting its mission. It says to anyone contemplating gaming the system: Don't bother, you'll be caught and punished.

Our steps today build on our earlier reforms – in particular our recent overhaul of the largest part of the Universal Service Fund, where together we transformed an inefficient, out-of-date program into the Connect America Fund – using market mechanisms to control costs and put the country on the path to universal broadband by the end of the decade.

Today, as part of our modernization of Lifeline, we execute on another key recommendation of the National Broadband Plan to begin transitioning Lifeline to support broadband. We do so with a seriousness of purpose – because broadband is rapidly becoming a necessity, not a luxury; and we do so with humility, because it is not easy to determine how Lifeline can best be transformed into a program that supports broadband.

When this Commission inherited Lifeline more than two years ago, the program faced real and serious challenges, including rules that failed to keep pace with the boom in mobile service; created perverse incentives for some carriers; and, as we came to see, invited fraud and abuse. Since then, we've rolled up our sleeves to put this program on a sound path and strong foundation.

The process of reforming Lifeline started with the release of the National Broadband Plan in early 2010. In the spring of 2010, I asked the Federal-State Joint Board on Universal Service to scrutinize the Lifeline program and offer recommendations for reform. Last year, the FCC proposed rules that built on the Joint Board's recommendations – and today's Order implements many of those ideas.

But we haven't waited to complete the rulemaking to take concrete steps to tackle fraud and abuse. Last June, the Commission adopted an order clarifying that an eligible consumer may only receive one Lifeline-supported service, creating procedures to detect and de-enroll subscribers with duplicate Lifeline-supported services. Working in close cooperation with CTIA and major Lifeline providers including AT&T, CenturyLink, Sprint, TracFone, and Verizon, we've established an unprecedented process to detect and eliminate duplicative Lifeline

support—a process now underway in 12 states, that will expand to additional states in the months ahead.

I want to acknowledge the good faith and willingness to constructively engage that industry has demonstrated in helping address this problem. Thanks to this joint effort, we've already identified more than 200,000 duplicative Lifeline subscriptions for elimination – saving millions of dollars every month.

Today's Order builds on this progress.

Let me be clear: We will not tolerate waste or misuse of program funds. Today's reforms are strong and meaningful. In our Order, we set a savings target for 2012 of \$200 million, and a mechanism to ensure we realize those savings. Over the next three years, staff estimates that today's reforms will save up to \$2 billion compared to the status quo. That is a lot of money in the pockets of American consumers who otherwise would have been contributing to a program that was wasting funds on duplicative benefits, subsidies for ineligible consumers, or fraudulent misuse of Lifeline funds.

After evaluating the impact of today's fundamental overhaul of the program and addressing key issues teed up in the Further Notice of Proposed Rulemaking, including the appropriate monthly support amount, the Commission will be in a position to adopt a budget for the program in early 2013.

An important part of our reform is our establishment of databases, including a National Lifeline Accountability Database. This database approach will prevent multiple carriers from receiving support for the same subscriber and streamline the process of verifying consumers' initial and ongoing eligibility for the program, significantly reducing burdens on carriers and improving protections against waste and fraud. It will also reduce burdens on consumers participating in the program.

This is another example of the commission harnessing communications and information technology to do our work better, to help consumers, and to reduce burdens on both the companies that participate in these programs and the FCC itself.

We seek comment on ways to further streamline burdens on participating carriers, to improve program efficiency, and to encourage voluntary participation in Lifeline.

As Commissioner McDowell said earlier, we are moving forward today with fiscally responsible entitlement reform.

And we are doing it in a way that saves hundreds of millions of dollars and that will not cut off eligible, needy consumers from the vital lifeline to our basic communications grid.

Who are the people that benefit from Lifeline? They are people like a woman we heard about in South Pittsburg, Tennessee who was thrown from her car in a severe accident and used her phone to call 9-1-1 and receive immediate assistance. Or a veteran in Shady Springs, Florida who relies on his Lifeline phone to communicate with the V.A. hospital to obtain medications and organize hospital visits. And the man in Memphis who used a Lifeline phone to help with his job search, which ended with his now-current employer calling him – on his Lifeline phone -- to offer a job.

This Order is not only about increasing efficiency and eliminating waste. It's also about making sure the service is there for people who need it like the ones I mentioned. And it's about beginning to modernize Lifeline from telephone service to broadband.

Broadband, as Commissioner Clyburn has said, has gone from being a luxury to a necessity in the 21st century.

It's increasingly essential for finding a job, for example, as job postings have moved online, and for landing a job, as companies increasingly require basic digital skills.

As everyone who has followed our work knows, one-third of Americans haven't adopted broadband at home, and the majority of low-income Americans are non-adopters.

Recognizing that Lifeline was established to make sure low-income Americans have access to telecommunications and information services, and that voice will ultimately be just another application on our broadband networks, it makes sense to begin to transition Lifeline to support broadband.

Consistent with the language and purposes of the Communications Act, the Order starts by establishing as a core program goal ensuring universal availability of broadband for low-income Americans. To determine how best to achieve that goal, we're using a fraction of the savings we're realizing from today's reforms to launch a Broadband Adoption Pilot Program.

We're asking broadband providers to submit project proposals, and data from the projects we choose would be rigorously analyzed to ensure a full understanding of how best to transition Lifeline to support broadband.

In addition to our work, the work that we seek from entities like Connect to Compete and some of the BTOP programs will also be helpful in determining a smart course going forward.

In addition to cost, we know that a lack of digital literacy is a major barrier to broadband adoption. That's why we propose using savings from Universal Service Fund reforms to increase digital literacy training at libraries and schools. Digital literacy training not only promotes broadband adoption, but it could also arm more Americans with the skills they need to fully participate in our 21st century economy and society.

In my view, it would be irresponsible not to begin testing ideas to harness broadband to help connect low-income Americans, improving our economy and our kids' education. Other countries are moving ahead in this area, and it's essential to our global competitiveness that we use every tool at our disposal to win the broadband race.

In moving forward, as I mentioned, we will build on the excellent projects that have already been launched – ranging from BTOP programs focused on adoption, to the Connect to Compete initiative supported by the cable industry and other major companies and non-profit organizations.

I want to thank all those who contributed to this Order, including my fellow Commissioners, whose deep engagement with this item is reflected in many parts of the Order. I'm proud of the process we ran to produce this Order.

It presented many difficult issues, as you heard from our statements. Staff has worked on this very hard for quite sometime, and the three of us reached agreement quickly on many issues. On other issues, we found ourselves in different places – three different places to be precise. But with a shared commitment to doing the right thing – to connecting needy Americans and to fiscal responsibility – we worked through some challenging issues together, as recently as yesterday. I'm grateful for each of my colleagues and our staffs for staying at the table and discussing the issues until we found a path through.

I want to thank the Joint Board and state commissions across the country, who again have demonstrated the tremendous value they provide by serving as laboratories for policy innovation and as partners in ensuring universal service.

Some of the best ideas we adopted today we learned about and felt comfortable adopting because they had been implemented in states across the country and we can see the data and measure the results.

Finally, thank you again to the outstanding staff who worked on this. For those of you who have been working on various Universal Service Fund matters over the past years, thank you very much, and to the new people who just joined the Lifeline effort and really focused on the unique issues that related to modernizing, reforming, and improving this program, you have the public's gratitude as well as all of ours.

In addition to the Wireline Competition Bureau, these items benefited from the Wireless Bureau, the General Counsel's Office, the Consumer and Governmental Affairs Bureau and other intra-agency cooperation.

It took a lot of months and a lot of hard work, and I hope you feel as proud as I do about the results we are accomplishing today, and that the agenda is going forward.