

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: Universal Service Contribution Methodology, WC Docket No. 06-122; A National Broadband Plan For Our Future, GN Docket No. 09-51

Over the past several months, a unanimous Commission has taken on two major reforms of Universal Service programs. Last November, we adopted a once-in-a-generation overhaul of universal service support for rural areas.

Today, nearly 18 million Americans can't get broadband. Our creation of an efficient, accountable Connect America Fund will accelerate wired and wireless broadband buildout to these unserved rural homes, connecting these Americans to the massive benefits of high-speed Internet.

We also modernized the Lifeline program for the 21st century, eliminating waste and misuse of public funds, imposing fiscal discipline and accountability, while enabling Lifeline to continue playing a vital role in ensuring that the neediest among us are connected to our communications networks.

At the same time, we also eliminated duplicative and unnecessary funding, ended arbitrage schemes, closed loopholes, and instituted competitive bidding. These reforms will keep billions of dollars in consumers' pockets in the coming years.

Universal service reform is part of a broader agency effort to modernize outdated programs, eliminating unnecessary rules and improving efficiency and effectiveness.

Today, we take the next step in our universal service overhaul – contribution reform.

For years, there have been bipartisan calls to fix this outdated system. I am pleased that today we are formally seeking solutions that will improve the efficiency, fairness, and sustainability of the system.

In our USF Reform Order creating the Connect America Fund and our Lifeline Reform Order, we took major strides to address the total amount Americans contribute to universal service and how universal service support should be allocated. With today's item, we propose bringing the same smart government and regulatory reform principles to the system for how contributions are assessed and collected.

The contribution system we have in place is still largely the same as the one the FCC adopted 15 years ago. Not surprisingly, the system is showing its age and suffers from a number of problems.

The current contribution system imposes significant compliance costs and creates inconsistencies. Responding to a contribution audit can cost upwards of half a million dollars, and some contributors can find themselves on the hook for tens of millions of dollars in unpaid contributions.

The current system creates market distortions. Outdated rules and loopholes mean that services that compete directly against each other may face different treatment. For example, providers of business communications services that are required to contribute may find themselves bidding against providers of very similar services that are not contributing.

And due to massive changes in the marketplace, the system has recently begun to suffer from declines in the revenue of services required to contribute. The contribution base has declined by roughly 10% since 2008.

Today we propose three goals for contribution reform: efficiency, fairness, and sustainability. And we underscore that any reforms to the contribution system must safeguard core Commission objectives, including the promotion of broadband innovation, investment, and adoption. Reforms must also account for business realities, including reasonable transition periods for any changes.

I look forward to working with my fellow Commissioners and with all stakeholders in pursuit of these goals. This is a hard task, and those seeking reform should be concrete on how to do so.

Finally, I thank the staff for once again taking on the Universal Service issues with thoughtfulness and care.