

**STATEMENT OF
COMMISSIONER ROBERT M. McDOWELL**

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

For several years, I have maintained that contribution reform was a vital cornerstone to any comprehensive effort to modernize the Universal Service Fund (USF). Ideally, I would have preferred that the Commission have tackled both distribution reform and contribution reform in one comprehensive proceeding as we were poised to do in 2008. But, the Commission has opted to break our effort into pieces instead. Last fall, we modernized the distribution or spending side of the USF high cost program. Furthermore, in January we overhauled the Lifeline/Link-up program. Equally important, however, is the need to fix the contribution methodology, or the “taxing” side of the ledger. In other words, who is going to pay for all of this and how? Today, we start to collect an array of ideas to answer these questions.

To put the importance of contribution reform into perspective, the contribution factor, a type of tax paid by telephone consumers, has risen each year from approximately 5.5 percent in 1998 to almost 18 percent in the first quarter of this year. This trend is unacceptable because it is unsustainable. Furthermore, the cryptic language on consumers’ phone bills, combined with the skyrocketing “tax” rate, has produced a new form of “bill shock.” We must tame this wild automatic tax increase as soon as possible.

I am delighted that we are finally picking up where the Commission left off in 2008. I recognize that implementing reform will not be easy. Precisely because today’s notice asks such a broad range of questions, all stakeholders will have an opportunity to find something controversial and undesirable, in their view. Controversy, however, should not deter us from lowering the tax rate while broadening the base according to the authority granted to us by Congress. The current pool of contributors is shrinking. It must be expanded, but we must do so only within our statutory authority while keeping in mind the international implications of our actions. Accordingly, I hope that all commenting parties will also tell us what they *like* about any of the proposed ideas as well as offer us their new ideas.

In years past, I supported the concept of broadening the assessments pool to include a phone numbers based system. Market conditions have changed since then, so I will pay particular attention to fact-based arguments for and against a phone numbers based contribution methodology.

In sum, I may not agree with the potential outcome that could result from some approaches that are discussed in this further notice, but I am encouraged that we are moving forward and asking a wide variety of questions. The data and opinions we start gathering today will help the Commission and all stakeholders illuminate a path that leads to a decision we should make no later than this fall.

Many thanks to the Chairman for his leadership as well as to the bureau staff for their diligence on this further notice. I look forward to working with my colleagues and all stakeholders to craft a pragmatic and fair solution that will put consumers first.