

**STATEMENT OF
CHAIRMAN TOM WHEELER**

Re: *Connect America Fund*, WC Docket No. 10-90, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Universal Service Reform -- Mobility Fund*, WT Docket No. 10-208, *ETC Annual Reports and Certifications*, WC Docket No. 14-58.

Since my first day in this job, I have talked about broadband as the engine of the 21st century economy, and the need to ensure that the opportunities presented by broadband reach as far and wide as possible – regardless of whether you live in New York City or Rapid City, Fayetteville or Fairbanks. Our country will not achieve our massive potential if millions of our fellow citizens and businesses in rural America are being bypassed by the Internet revolution.

Chairman Genachowski took a number of important steps to address this issue during his tenure, not the least of which was the adoption of the Universal Service Fund/Intercarrier Compensation Transformation Order in 2011. That action, for the first time, explicitly aligned our universal service high-cost support mechanisms with the realities of 21st century networks.

With today's item, the Commission takes a series of important steps that move us further along the path set out by the Commission in 2011. In particular, we decide a number of outstanding issues regarding the Phase II competitive bidding process. For example:

- We establish a 10-year term of support for winners of the competitive bidding process;
- We include extremely high-cost areas in the competitive bidding process, to try to get broadband to those areas as quickly as possible;
- We streamline the Eligible Telecommunication Carrier designation process for parties that want to participate in the competitive bidding process; and
- We determine that price-cap carriers that decline model-based support may still participate in the competitive bidding process.

We also take stock of where we are and provide additional time to adjust to existing reforms. Congress set forth the principle that rates in rural areas should be reasonably comparable to those in urban areas. To implement this guidance, the Commission in 2011 decided not to subsidize unreasonably low retail rates. This is for the purpose of ensuring that the subsidies paid by all telephone subscribers go toward their intended purpose of offsetting the higher cost of rural construction, and not to unfairly charging one subscriber to subsidize artificially lower rates for another. We act today to phase in reductions in USF support in a way that gives rural providers more time to adjust, delaying the rule until January 2015, phasing it in over a multi-year period, and ensuring that the impact of the rule does not fall on Lifeline customers.

Even as we move forward with the framework adopted in 2011, we have a fiduciary duty to ratepayers and a statutory obligation to rural America to ensure that we are using Universal Service Fund dollars as effectively as possible to deliver reasonably comparable services. With that in mind, we propose raising the speed benchmark for support recipients, and we seek comment on re-targeting the mobility fund.

With respect to speeds, we simply cannot leave rural America behind. The data we have show that urban and suburban household increasingly have access to broadband at speeds above 10 Mbps. In light of our statutory duty to ensure that rural Americans have access to “reasonably comparable” services, it is incumbent upon us to look at whether we need to redefine our target and understand the costs and benefits of such a change.

Likewise, the marketplace has not been standing still in the mobile space. LTE is being deployed across the country, and we need to understand what that means for how we use the funds at our disposal. How do we know which areas are being served and whether those areas are getting service that is reasonably comparable to urban areas? How do we ensure that we are preserving service where it exists only due to government subsidies and extending service where it doesn't? We need answers to these questions so we can make informed decisions moving forward.

Finally, we are taking several enormous steps forward to address universal service for rate-of-return carriers.

I'm particularly pleased to note that we are eliminating the Quantile Regression Analysis ("QRA") benchmarks rule, which used what turned out to be an overly confusing formula to determine what expenses would be eligible for reimbursement from the Universal Service Fund. When our rules aren't working the way we expected, we have an obligation to fix them.

But eliminating the QRA does not mean that we are no longer concerned about some of the "race-to-the-top" incentives created by the existing structure. We need to get our best minds focused on trying to establish a Connect America Fund that encourages prudent investment and continued deployment of robust broadband networks throughout rural America.

The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural American have the same opportunities as their urban and suburban cousins to be active participants in the United States of the 21st century. In Phase I of the Connect America Fund, we were able to deploy broadband to over 1.6 million Americans who never had it before. As we move to Phase II, I have every confidence that we can build on that success, and today's item keeps that process moving in the right direction.