

**STATEMENT OF
CHAIRMAN TOM WHEELER**

Re: *Connect America Fund*, WC Docket No. 10-90, *ETC Annual Reports and Certifications*, WC Docket No. 14-58, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92.

Our nation's digital divide is both a fiscal ability to pay and a physical ability to deploy challenge. Thirty-nine percent of rural Americans – 23 million people – lack access to service that meets the Commission's 25 Mbps/3 Mbps benchmark for advanced telecommunications capability. By contrast, only 4 percent of Americans in urban areas lack broadband access at these speeds. Twenty-five percent of rural Americans lack access to 10 Mbps/1 Mbps fixed broadband services, compared to 2 percent of urban Americans. And, one in five rural Americans today remains unconnected to fixed Internet access service at 4 Mbps/1 Mbps.

This Commission has consistently promoted competition as the most effective tool for driving network investment, but there are plenty of rural areas where the incentives to compete just aren't there. Local demand will not support the deployment of robust, modern, world-class communications in these areas.

The Commission's universal service program is one of the most important tools at our disposal to spur broadband deployment in unserved rural areas, maintain existing broadband service in high-cost areas, and ensure that consumers and businesses in rural America have the same online opportunities as their urban and suburban counterparts.

We have already worked to update the universal service high-cost program to ensure that we are delivering robust voice and broadband experiences to rural areas served by the larger carriers and providing increased certainty and predictability for carriers and a climate for increased broadband expansion, all within the confines of our finite Connect America budget.

It's time we modernized universal service support for rate-of-return carriers to better reflect today's marketplace and technology. More than 4 million Americans live in high-cost areas served by these small, rural providers. These areas are not only more costly to serve than urban areas, they often are more costly to serve compared to other rural areas. As we modernize our universal service programs, we cannot leave these rural Americans—too many of whom remain unconnected—behind.

For the past several months, Commissioners Clyburn, O'Rielly, and I have worked together on ways to expand rural broadband deployment by modernizing the USF high-cost support program for rate-of-return carriers to fulfill our commitment to standalone broadband reform. This bipartisan effort was aided by the rate-of-return carriers themselves. Working through their trade associations, they engaged with the three of us in a productive manner. We are pleased that NTCA and USTelecom have supported the result.

Today's Order sets forth a package of reforms to address rate-of-return issues that are fundamentally intertwined—the need to modernize the program to provide support for stand-alone broadband service; the need to improve incentives for broadband investment to connect unserved rural Americans; and the need to strengthen the rate-of-return system to provide certainty and stability for years to come.

These reforms will help to ensure that federal universal service funds are spent wisely, for their intended purpose, and takes concrete steps to bring broadband to those rural Americans who remain unserved today.

The Order creates an *entirely voluntary* path for rate-of-return carriers that prefer the predictability of defined support amounts over a ten-year term. Similar to the approach that has successfully spurred deployment by larger "price-cap" carriers, this model-based support comes with defined milestones for efficient, accountable deployment. This model-based option has been actively

sought by some rate-of-return carriers and reflects significant updates and carrier-submitted data from the rate-of-return community.

For carriers who choose to continue receiving support based on traditional rate-of-return principles, the Order provides support for standalone broadband lines, gives more certainty to carriers, increases fiscally responsible management of the fund, and ensures that a reasonable portion of support is spent on new buildout to connect those that remain unserved.

To limit the universal service fund's burden on ratepayers, the Order adopts budget control mechanisms to ensure that rate-of-return carriers collectively stay within the established rate-of-return budget. Notably, the Order reflects the shared principle embodied in the "Walden Rule," that we should not use ratepayer funds to support service in an area that is served by an unsubsidized voice and broadband provider. And the Order lowers the authorized rate of return for incumbent carriers to better reflect current financial market conditions.

Finally, a Further Notice included with the Order seeks comment on additional reforms to guard against waste. We must protect the fiscal integrity of the program.

While the Order does not act on an Alaska-specific proposal by a group of Alaska carriers, I believe a framework tailored to the unique operating conditions and challenges faced by those serving Alaska merits serious consideration. Commission staff are actively reviewing the specific solutions that have been proposed, and I have committed to Congress that the Commission will take action to address this important issue in the second quarter of this year.

I have also committed to have a proposal dealing with broadband deployment to America's Tribal areas before the end of the year. The Further Notice seeks comment on measures to promote broadband for rate-of-return carriers serving Tribal lands that are lacking broadband service. Broadband technology is critical for Tribal communities to participate in the 21st century economy. And I personally have seen the lack of communications services and infrastructure across Indian Country. We can, and will, do better.

Thanks to months of sustained bipartisan cooperation, the Commission is acting today to significantly expand rural broadband deployment and open new opportunities for families across America. I am grateful to my colleagues on the Commission for their partnership in this endeavor. Special thanks are due to the Commission staff who have been working for years to modernize all of our universal service programs for the Internet age. In particular, thank you to our Wireline Competition Bureau team, led by Matt DelNero, Carol Matthey, Suzanne Yelen, and Deena Shetler, for their tireless efforts.