

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

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.*

Today the Commission adopts timely and meaningful reforms to the rate-of-return portion of the universal service high-cost program. In doing so, it furthers the goal of universal service in all regions of the nation. The actions taken in this order will provide stability and certainty for carriers to invest in broadband and expand service for consumers in rural America. It is the right thing to do, and I am proud to support this order.

For more than a year, we have worked on a specific effort to achieve a long-lasting, fiscally responsible, and forward-leaning system that enables all rate-of-return carriers to obtain Federal support to build out broadband and connect many unserved Americans in their communities. From the start, I was convinced that with some hard work, creative thinking, and compromise from everyone – including FCC Commissioners – we could find a path forward. Therefore, considerable time was spent with rate-of-return carriers and their associations to understand detailed concerns and potential issues with a myriad of proposals. I personally traveled around the country to meet with the small carriers that serve some of the most rural and remote parts of America. It was a privilege to hear their unique perspectives. I also credit the trade associations who put in a tremendous effort on behalf of their members to distill, refine, and test various ideas. To date, this has been the most open, inclusive, and collaborative process I have experienced at the FCC.

With more than 1,100 rate-of-return study areas involved, it was clear that no single approach to reform would work. Carriers vary immensely in terms of size, geography, service offerings, investment and deployment cycles, and policy preferences. For instance, some providers felt that standalone broadband would be critical to their future success while others I spoke with had no plans to offer it. Certain carriers were adamant about moving to a model-generated support system while others could not fathom operating under a different regulatory structure than the one they are familiar with today. Therefore, we needed to provide optionality, while ensuring that all paths contain appropriate incentives to deploy broadband, and in a cost-effective manner.

Thanks to many productive conversations, we created a package of reforms designed to resolve the standalone broadband issue while at the same time fixing existing problems with the current system, providing flexibility for carriers, and including appropriate transitions. In particular, this effort will improve incentives to invest in broadband, establish requirements to extend rate-of-return carriers' reach to unserved consumers, better target funding to where it is needed most while being cognizant of prior investments, prevent funding areas where competition exists, and provide a completely voluntary path to model-based support for carriers who have actively sought it.

I am particularly grateful that we were able to reach agreement on defined buildout obligations for both the legacy and model paths. This will ensure steady progress in connecting unserved Americans, which was a chief goal of mine in undertaking this reform effort since we are stewards for the contributions made by American ratepayers. Moreover, carriers will be reporting geocoded locations as they build out, which will enable us to map progress nationwide, providing more accountability and transparency, including to consumers that pay in to universal service, as to how the funding is being used. It also means we will be able to further streamline existing reporting requirements, removing additional burdens from small providers.

In addition, the item provides all carriers with a totally voluntary option to self-identify areas that would be uneconomic for them to serve within the next 10 years. These are the rate-of-return "RAF-like" areas that I have spoken of in the past. By providing carriers complete discretion to identify at least some

of these areas now instead of waiting up to 10 years from now to inventory who didn't get served, the Commission may be able to find another way to bring service to those consumers sooner.

As is expected with any compromise document, there are certain things I would have done differently, and it is only natural that others would feel the same. For example, I am hesitant to commit to additional reforms for Tribal lands until we can understand the impact of the reforms we adopt today in better targeting funding to unserved areas, or until the Remote Areas Fund is finalized, as that too is sufficiently intertwined with bringing service to American Indians. Moreover, I pushed hard to include reforms particularly pertinent to the Alaskan rate-of-return carriers. In the end, my colleagues and I settled on a slightly delayed timeline of completing it by the second quarter of this year, which turned out to be acceptable to the affected carriers and the Alaska Congressional delegation. Further, while I support the rulemaking to eliminate specific, bright-line categories of expenses that are not tied to the provision of service (e.g., artwork and cafeterias), other accounting proposals could possibly lead us down an over-regulatory path or may be just unnecessary. In addition, I have previously expressed skepticism regarding the Commission's use of predictive judgments, which is contained within the item. On balance, however, the benefits of specific components combined with finally completing a meaningful set of reforms easily mitigates these concerns in my view.

It is my hope that this solid foundation will provide the predictability so desperately needed by rate-of-return carriers, eliminating the need revisit the issue in the near future. At the same time, I commit to working with the providers and their associations to promptly address any legitimate issues that arise after the order is released.

In closing, I extend a special thanks to my colleagues, Chairman Wheeler and Commissioner Clyburn, for being patient with me. More importantly, this item couldn't have been completed without the small but able and hardworking team within the Wireline Competition Bureau, especially Carol Matthey, who deserve our appreciation for the work they have done and the implementation issues they now have before them.