

## Subcommittee on Communications, Technology and the Internet Hearing

### H.R. 5828, the Universal Service Reform Act of 2010

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**September 16, 2010**

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This morning's hearing is a legislative hearing on H.R. 5828, the Universal Service Reform Act of 2010.

The bill is a comprehensive reform of the Universal Service High Cost Fund, and the measure before us this morning has been revised in various respects based on recommendations we have received during and following the subcommittee's last hearing on

the legislation.

H.R. 5828 is the product of a bipartisan effort I undertook several years ago with our subcommittee colleague, the gentleman from Nebraska, Mr. Terry. We have benefitted from the advice and suggestions of many other members on a bipartisan basis.

We have also conducted extensive conversations with dozens of stakeholder groups, and we have achieved consensus among a broad range of competing interests.

You will hear this morning endorsements for the legislation from companies and trade associations that have long been in basic disagreement about how the High Cost Fund should be reformed.

Net contributors into the Fund, such as AT&T and Verizon, are today in agreement with net beneficiaries of the Fund, such as rural carriers represented by NTCA, OPASTCO and WTA, that H.R. 5828 in the form in which it is before the committee should be approved.

We also have endorsements for the legislation from Qwest, CenturyLink, Frontier, Vonage, the National Cable and Telecommunications Association, and USTelecom, reflecting a truly broad consensus.

The High Cost Fund, which assures affordable rural telephone service, has come under increasing pressure, and comprehensive reform to ensure its continued stability is urgently needed. New technologies and new business plans are combining to diminish the long-distance revenues that have historically been relied upon to support USF. The current USF contribution rate stands near its highest level ever of more than 13 percent. In October, it will dip slightly to 12.9 percent, but all signs point to continued double-digit contribution rates after that unless reform occurs.

In addition, the Universal Service Fund is outdated, as it supports only the provision of traditional voice telephone service. Our legislation extends the program to broadband.

Many of the FCC's National Broadband Plan recommendations are reflected in our legislation. It gives the FCC the statutory authority it needs to carry out its universal service goals. In addition, the legislation:

- Expands the Fund's contribution base by assessing intrastate, as well as interstate and international, revenues and requires that providers of broadband connections pay into the Fund.

- We grant the FCC the authority to implement competitive bidding for distributions to wireless carriers, with a limit of two winners per service area, avoiding potential legal challenges from those who argue that competitive bidding does not comport with existing statutory Universal Service principles.

Removing regulatory uncertainty in these areas will avoid protracted litigation regarding Commission authority, particularly in the wake of the D.C. Circuit's *Comcast* decision, and allow for expeditious reform of the Universal Service program.

Our legislation would also direct the FCC to adopt a new cost model for USF support based on the provision of both voice and broadband service, while also limiting growth of the Fund by providing that the contribution burden on consumers may not unreasonably increase.

We mandate that all recipients of USF support offer broadband throughout their service areas, at minimum speeds established by the FCC. These required data rates will increase over time.

Other elements in our measure include fixing the phantom traffic problem by requiring carriers to pass through call identification information, eliminating traffic pumping by prohibiting carriers from sharing access charge revenue with third parties that offer free or reduced-cost services, making permanent the Anti-Deficiency Act exemption for USF, so that an annual appropriations rider is no longer required for that purpose, and denying USF support in areas where there is competition in voice telephone service.

The bill modernizes a program that ensures the availability of communications connections to millions of Americans, benefitting not just the rural residents who live in high-cost areas, but benefitting the entire nation. We are a stronger nation when we are all connected through telecommunications.

Having rural America connected is essential for efficient nationwide communications and gives Internet-based businesses access to millions of homes that would be disconnected in the absence of this program.

I want to thank the members, their staffs, and the dozens of stakeholders who have participated with us in drafting a reform measure which reflects a broad consensus.

