

TESTIMONY OF FCC COMMISSIONER MICHAEL J. COPPS
U.S. SENATE COMMITTEE ON COMMERCE, SCIENCE
AND TRANSPORTATION HEARING ON THE
“UNIVERSAL SERVICE: TRANSFORMING THE HIGH COST FUND
FOR THE BROADBAND ERA”
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Chairman Rockefeller, Ranking Member Hutchison, Members of the Committee, I am pleased to have this opportunity to visit with you today to discuss one of the most important challenges confronting this Committee, our Commission and the country. This is the challenge of bringing broadband to all our citizens. And I thank you for focusing on one of the central action items coming out of Chairman Genachowski’s National Broadband Plan to get this job done. That’s reforming, revising and reinventing the Universal Service Fund—particularly the high cost program—for broadband.

Since my confirmation as a newly-minted Commissioner in 2001, I have been calling for a national broadband strategy to ensure this nation’s going-forward global competitiveness. It is my belief that high-value broadband is the Great Enabler of our time. This technology infrastructure intersects with just about every great challenge confronting our nation today—jobs, business growth, education, energy, climate change and the environment, international competitiveness, health care, overcoming disabilities, opening doors of equal opportunity, news and information, our democratic dialogue. There is no solution for any of these challenges that does not have some broadband component to it.

This Nation has a long history of successful infrastructure-building upon which to draw. Earlier generations met and mastered their own great infrastructure imperatives—things that *had to be built* if the country was to continue its forward march. So those generations built roads and bridges, turnpikes and canals, regional and then transcontinental railroads, an interstate highway system, nationwide electricity grids and nearly universal plain old telephone service. They did this, more often than not, by working together—private enterprise in the lead, to be sure, but encouraged by visionary public policy. That was this country’s framework—our “how-to” manual—for building up and moving forward. It’s how we built the place! But somehow, when it came to the roads and bridges and highways of the Twenty-first century—broadband—we forgot those lessons and fell victim to a strange and totally unhistorical assumption that broadband would somehow get built without any special effort, absent any enlightened public policy encouragement, and that business would build it out even in places where business had no incentive to go. That has cost us a lot. We have lost precious time, jobs, opportunities and competitiveness. And we have fallen behind other countries.

So, it was music to my ears when Congress called for the development of a National Broadband Plan. Just three months ago, Chairman Genachowski, with the hard work of an impressive team of FCC staff, presented a National Broadband Plan with clear objectives and a considered strategy aimed at ensuring that everyone in this country has equal opportunity in this new Digital Age, no matter who they are, where they live, or the particular circumstances of their individual lives.

The goal of the broadband plan, in my opinion, should be to ensure that a robust broadband ecosystem serves the American people. And I believe that the Chairman's Plan can, with a whole lot of follow-through, achieve this—with recommendations to reform the Universal Service Fund, identify additional licensed and unlicensed spectrum for wireless service, encourage ICT research and development, to name but a few. Each FCC Commissioner would have, I am sure, some variations on the Chairman's Plan. But, I suspect that when it comes to the Universal Service Fund, we are all in agreement that reform is in order.

The existing Universal Service Fund is comprised of four programs, created by the FCC pursuant to section 254 of the 1996 Act. The high-cost program—our focus today—provides direct support to ensure that consumers across the country have access to and pay rates for *telecommunications services* that are reasonably comparable to those in urban areas. This has been largely a success, with telephone penetration at about 98.2%—although it should be noted that there are areas like Indian Country that remain embarrassingly behind in even the most basic connectivity. But, unlike the E-rate and Rural Health Care programs, which provide support directly for broadband access pursuant to statute, the high cost program, as well as the low income program, is not designed to support broadband directly. I strongly believe that if we are going to ensure that no community, no citizen, is left behind by lack of access to basic or advanced telecommunications in this new digital age, we must bring broadband fully into the Universal Service system. No doubt this is a tall order. The Fund includes many moving parts, and we must consider them all when bringing our Universal Service system into the broadband age. This will require something more than merely an adaptation of current USF programs—we must consider the broadband ecosystem and make fundamental changes, and this applies particularly to the high cost program.

As I mentioned, good things have come from the existing high cost program. We have almost ubiquitous telephone service. Infrastructure for voice service has been built out in rural areas by small incumbent telephone companies who would have had no ability to fund such deployment without high cost Universal Service support. With network upgrades for voice services, some providers have also been able to reap the incidental benefit of providing broadband services. Through its support, the high cost fund has led to more wireline and wireless voice services, more competition, more jobs and more broadband. Thanks to the efforts of many rural companies, we have service in places where we would have had no service. And we have, I suspect, less industry consolidation than we would otherwise have in an already overly-consolidated sector.

While we recognize these successes, the program has been far from perfect. The current high cost program is an incredibly complicated system providing support in different ways for rural carriers and non-rural carriers, rate-of-return and price cap carriers, as well as incumbent and competitive carriers. The various categories and subcategories of high-cost support can be mind-boggling in their intricacies, applications and exemptions. In addition, any program that distributes money faces attempts by some to engage in arbitrage schemes and, sometimes, in waste, fraud and abuse. The high cost program has been no exception. Keen oversight and effective auditing of such a program are necessary to make certain that funds are distributed efficiently and used as intended. There are also serious questions concerning basic equity when it comes to the distribution of USF support. At the end of the day, of course, it is consumer

equity that must take precedence if we are to ensure consumers have access to reasonably comparable services at reasonably comparable rates—the dictate of the law. Additionally, with its technology-neutral and pro-competitive aims, the program has been criticized for funding multiple providers in an area, thereby increasing the overall Universal Service Fund, which some argue makes the Fund unsustainable. The Commission has been grappling with these concerns for several years, but now I think we are all prepared to roll up our sleeves and address them as we consider the critical matter of transitioning to a new program that addresses both voice and broadband needs across the country.

Chairman Genachowski's National Broadband Plan starts us on that path. The Plan includes laudable recommendations for phasing out the existing high cost program for voice services while ramping up a Connect America Fund for broadband service and a Mobility Fund for wireless service over a ten year transition period. The goal of this reform is to make sure that broadband and 3G wireless services are available throughout the country while we continue to ensure the almost ubiquitous voice service made possible through the legacy high cost program. And, because we are dealing with a broadband ecosystem where many parts come together to form a complex, synergistic and interdependent whole, the proposed changes to the Universal Service system in the Plan also include recommendations to revise the contribution methodology for the new program, to update and fix the intercarrier compensation mechanism, and to consider the extent to which broadband deployment (*i.e.* broadband speeds) should be supported by the Connect America Fund. While the Plan is thorough in its recommendations for comprehensive Universal Service reform and its transition to broadband, the devil will be in the details as the Commission works on implementation.

We have a moment in time now—and these moments don't come around often enough—to do something both bold and badly-needed. What the Commission really needs to do now is “bring it home.” We need to launch a multiplicity of proceedings and expeditiously make the hard decisions that will get this done. The future of this country's communications network depends on it. And it will be no easy task to get to where we need to go—for anyone. There will have to be shared sacrifice among *all* participants as we pursue the goal of eliminating inefficiencies in the legacy high cost program and phasing it out. At the same time, we must develop broadband and mobility funds that focus carefully on providing support at efficient levels in geographic areas where there is no private sector business case for broadband and high-quality voice service, all the while making sure to be company- and technology-agnostic. This comprehensive reform must be at the top of our agenda as we work to make sure that every American has access to 21st century communications services.

I know there are nay-sayers out there who think the FCC should stay out of the business of broadband—that all is working fine and there is no need or place for government. But in giving us our original Universal Service mandate, Congress recognized that, without sound public policy and appropriate funding mechanisms, private business would not—could not—provide all Americans with state-of-the-art telecommunications infrastructure. That same fact holds true for broadband—the advanced telecommunications infrastructure of today. We already know that one-third of Americans do not have broadband—because it is not available, because they can't afford it, or because they otherwise have not adopted it. This country's global competitiveness will depend on the extent to which all Americans have the opportunities to be

productive members of our modern world through access to, and use of, the enabling power of broadband. You know better than I the many serious challenges our country confronts. Manufacturing jobs have been lost, other countries are putting more into basic research and development than we are, and the list goes on. Can we really afford not to be Number One in the all-important communications revolution of the Digital Age? Or, are we going to sacrifice that, too?

And, I would like to make one thing very clear, given some of the criticism I have heard. Nothing—absolutely nothing—that the FCC is considering, from the National Broadband Plan or otherwise, has anything to do with regulating the information or applications that ride over the Internet. If anything, any action proposed by this Commission is intended to make sure that end-users—you and I—have freedom of access to the Internet, so that consumers rather than a few entrenched interests have the major say in deciding how we are going to access the wonders of the Digital Age.

Internet access does more than just create technology and economic opportunity. As we begin to migrate so much of our national conversation to the Internet, we must understand the profound civic implications of what we do. America's future town square will be paved with broadband bricks. Sustaining small "d" democracy by effectively informing all of our citizens in the Digital Age goes to the core of what we are trying to achieve in the National Broadband Plan. Our democracy must always be vigilant to ensure we have the best information infrastructure possible. Increasingly this era's information infrastructure will be broadband. So the Internet must be accessible to all the diverse voices of our diverse land. These somewhat more intangible implications of broadband are, in reality, the most important of all.

I believe that Congress already gave the FCC the statutory mandate to advance the cause of bringing access to advanced telecommunications to each and every citizen of our country. I am hopeful that the Commission will use all tools necessary to move forward with implementing the National Broadband Plan. Robust discussion and difficult decision-making await us. Of course, time is not the friend of a nation that has so much broadband work that has gone unattended, but I am encouraged by the Chairman's agenda and determination to move quickly to put this Plan to work for the American people.

One final note, I understand that this panel represents not only three of the Commissioners of the FCC, but also the three federal Commissioners on the Joint Board on Universal Service. At this time, the Joint Board has before it only one referral, and that is to address questions on eligibility, verification and outreach for the existing low income program, and, should we move forward, consider how those questions would be addressed if broadband is supported by the program. The process for this review has just begun, and I look forward to working with my federal and state colleagues to come up with a sound recommendation for the Commission. I know Commissioner Clyburn, as federal Chair of the Joint Board, continues to urge our colleagues to act quickly and deliberately to address this matter. And I am pleased that Commissioner Baker brings her vast experience and expertise to the table, too. I know that all of us on the Joint Board are looking forward to more referrals from the Commission so that federal and state Commissioners and staff may work together to transform our Universal Service Fund

programs for a broadband world. This kind of federal-state cooperation was, I believe, very much the intent of the Congress when it wrote the Telecommunications Act of 1996.

I look forward to our conversation today, and to your comments and guidance, to identify ways to move forward in bringing broadband to the four corners of this great nation and everywhere in between. We must have a Universal Service program that is robust, effective, and forward-looking, true to its essential mission and true to the needs of our country.

Thank you for your attention and for holding this hearing today.