

STATEMENT OF CONGRESSMAN BOUCHER

Subcommittee on Communications, Technology and the Internet Hearing Discussion Draft of the Universal Service Reform Act of 2009

November 17, 2009

The Subcommittee will come to order.

This morning our hearing focuses on the universal service high cost fund and the reforms to it proposed in a legislative discussion draft now before us.

Having affordable telephone rates for all Americans is essential to our national well being.

At a time when electronic commerce and communications are central to national economic performance, keeping all of America connected should be a priority for rural and metropolitan residents alike.

While the universal service support is largely targeted to rural areas where costs are high because of the terrain, low population density and the long distances the communications lines must traverse, the benefits of having everyone connected flow to urban and rural areas alike.

I hope members will not lose sight of that reality as we consider the reforms needed to ensure the sustainability of the universal service fund.

It's now under tremendous pressure and a comprehensive reform is called for.

New technologies and business models that make local and long distance telephone traffic indistinguishable are combining to diminish the long distance revenues that are relied on to support universal service.

Since the universal service long distance surcharge is being imposed on a declining revenue resource, the surcharge rates are rapidly rising.

Today the contribution rate is 12 percent of long distance revenues. In January, it will rise to a record breaking 14.2 percent, and unless we enact comprehensive reforms, there will be continued escalation after that.

This status quo is not sustainable.

New controls must be placed on costs so that the level of universal service support can be contained.

The bill before us caps the high cost fund, requires competitive bidding for the provision of support to wireless carriers, and imposes rigorous auditing and reporting requirements on the carriers that receive support.

We also expand the contribution base to intrastate services and to entities that provide a connection to the network as a means of relieving pressure on the declining long distance revenue resource.

These changes on both the contribution and expenditure sides should produce a sustainable universal service fund.

The bipartisan discussion draft I have circulated with our Nebraska colleague Mr. Terry results for almost four years of consultations he and I have conducted with dozens of stakeholders.

We have sought and have now achieved consensus among parties that have competing interests.

Our draft bridges the divide on universal service issues between large carriers such as Verizon and AT&T that are net contributors into the universal service fund and the smaller rural carriers that are net recipients of universal service funding.

As we will hear from our witnesses this morning, stakeholders on both sides of this classic divide are now united in their support for the bill before us.

The draft makes a broad range of other changes such as qualifying broadband as an eligible subject for USF expenditures.

Other elements in our measure include a better targeting of support to high-cost areas by switching from statewide to wire center averaging, fixing the phantom traffic problem by requiring carriers to pass through call identifiers, eliminating traffic pumping by prohibiting carriers from sharing access charges with third parties that offer free or reduced-cost services, making rural exchanges more marketable for telephone companies that may desire to sell them by repealing the parent trap and making permanent the Anti-Deficiency Act exemption for USF so that an annual appropriations rider is no longer required for that purpose.

We welcome this morning the views of our witnesses and of members of the Subcommittee as we seek to broaden the consensus on the reforms needed for the universal service fund.