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Opening Statement of Rep. Henry A. Waxman Chairman, Committee on Energy and Commerce Legislative Hearing on a Discussion Draft of the “Universal Service Reform Act of 2009” Subcommittee on Communications, Technology, and the Internet November 17, 2009

I would like to thank Subcommittee Chairman Boucher and Mr. Terry for bringing forward legislation designed to reform the High Cost Fund of our national Universal Service Program.

In the last century, thanks to the Universal Service Fund (USF) and other support programs, phone service was extended to virtually all Americans. For this century, with a world economy transformed by the Internet, we must ensure that all Americans have access to broadband networks and services.

To meet this challenge, the USF program must be reformed.

The reform principles I listed at our hearing in March still apply:

First, the goals of universal service are as important now – in the age of broadband – as they have ever been.

Second, any modification of the program should be forward looking, not based on past models or even the present subsidy system.

Third, we must recognize that Universal Service Fund dollars are public dollars and with public dollars come public obligations.

Finally, we must ensure full accountability and transparency in this program.

I am encouraged that the Boucher-Terry legislation takes direct aim at a number of these issues.

Specifically, the discussion draft would:

- Broaden the base of revenues on which contributions to the fund would be based;
- Explicitly allow the fund to support broadband deployment;
- Restrain growth through a competitive bidding process;
- Target support paid to non-rural carriers, like AT&T and Verizon; and
- Bring about greater accountability.

In addition, the Boucher-Terry draft addresses a number of related matters that are becoming urgent, including “traffic pumping” and the rural health care program.

These provisions are important reforms, and I commend Chairman Boucher and Mr. Terry for including them.

There are additional issues I hope the Committee will consider as the legislation moves forward.

Should the concept of competitive bidding for USF support be extended to wireline providers as well as wireless providers?

Particularly where unsubsidized competition exists, should the incumbent wireline carrier continue to receive the same subsidy as it always has, or would it make more sense to target ongoing subsidies only to areas where there are no other choices for service?

Should we explore additional carrier obligations to promote the most robust network of networks possible? For example, we might consider eliminating the ability of USF recipients to deny access to competitors that seek to purchase roaming services on networks supported by public monies.

Should we impose obligations on USF supported networks similar to those that were imposed on networks supported by Recovery Act dollars?

Our goal has to be to focus more specifically on how the USF subsidies can better benefit consumers. Over 90% of American households have access to wireline broadband, but the adoption of broadband among low-income households lags far behind the national average.

To address this digital divide, we need to consider shifting money in the current Fund to support consumer adoption of broadband. Congresswoman Matsui has introduced a bill with the goal of expanding access to low-income consumers through a Broadband Lifeline program, and I support her approach.

Finally, I think any effort to reform USF should be closely coordinated with the Federal Communications Commission's (FCC) pending broadband plan. As Chairman Genachowski testified before this Subcommittee, universal service reform will be a critical component of the broadband plan that emerges in February of next year. Just last week, the FCC issued a Public Notice seeking comment on the role of Universal Service and Intercarrier Compensation in the National Broadband Plan. The FCC raises several of the issues addressed by this legislation and asks dozens of questions on these topics. I look forward to hearing more from the FCC on these matters and learning what issues the Commission can address independently and where Congress must act.

Ultimately, this legislation and the FCC's broadband plans must be harmonized.

In closing, I would like to thank Subcommittee Chairman Boucher for being a tireless advocate for universal service reform and his ongoing efforts to engage Congress in this important matter.

I look forward to working with Chairman Boucher, Congressman Terry, and other members of the committee to repurpose this program for the age of broadband.