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Statement of Rep. Henry A. Waxman
Chairman, Committee on Energy and Commerce
Legislative Hearing on H.R. 5828, the Universal Service Reform Act of 2010
Subcommittee on Communications, Technology, and the Internet
September 16, 2010

I would like to begin today by commending Chairman Boucher and Representative Terry for their efforts to bring forward legislation designed to reform the Universal Service High Cost Fund. Chairman Boucher, in particular, has shown amazing leadership. We would not be here today without his dedication to universal service and his legislative acumen.

As the Federal Communications Commission's (FCC) National Broadband Plan recognized, broadband is a foundation for economic growth, job creation, global competitiveness, and a better way of life. It is one of the great infrastructure opportunities of the early 21st century.

The universal service program represents our nation's historic commitment to ensure that all Americans have access to communications services, which has been a cornerstone of communications policy since the invention of the telephone.

Before the adoption of the 1996 Telecommunications Act, this program was supported through a system of implicit subsidies designed to make phone service affordable in rural America. Some customers paid higher rates so others could pay affordable rates. The Telecommunications Act of 1996 turned that implicit subsidy system into an explicit system that supports affordable phone service in rural America, as well as communications services to schools, libraries, and rural hospitals. The Telecom Act also codified the FCC's Lifeline and Link-Up programs that ensure low-income Americans, regardless of geography, have access to essential communications services – an issue championed by Representative Doris Matsui.

The challenge now, as the National Broadband Plan outlines, is to transform this program from one that supports telephone service to one that ensures that all Americans have access to broadband – and to ensure that consumer contributions to the fund are being used for the intended purpose.

The draft legislation takes several positive steps. First, the draft legislation better targets subsidies to the areas that most need them in three key respects:

First, calculating the necessary subsidy on a more precise, granular basis than the one used today;

Second, eliminating subsidies in those areas where competition has demonstrated that service can be provided without a subsidy; and

Third, considering all the revenues that a provider earns using the subsidized facility, instead of just a portion of that revenue.

The draft legislation also proposes a way to reduce the duplicative subsidies sometimes given to wireless providers by limiting the number of wireless carriers that are eligible for support.

In addition, the draft legislation gives the FCC the ability to change the contribution mechanism to better reflect the realities of the communications marketplace. As stakeholders know, the distinctions between interstate and intrastate have been blurred to the point that they are irrelevant. Contributions to USF must reflect that reality.

There are areas where I have some questions, which I hope this hearing will help clarify. A key point of reform should be to make the system more efficient and save consumers money. I hope this hearing will help us understand how the savings and costs add up under the legislation.

Another key objective of reform is to provide broadband service to all Americans. There are broad waiver provisions in this bill. We need to examine those provisions and their impact on the goal of universal broadband coverage.

In closing, I again want to thank the Chairman and Representative Terry for their efforts. I look forward to working with you and other members of the Committee as we move forward in this area.