

Urgent Fact Check

An Analysis of Wireless Industry's Attacks on Federal-State Joint Board Recommendation

1. The Federal-State Joint Board's recent recommendation to limit payments to wireless carriers at the 2006 levels on an interim basis represents a necessary and responsible step as the FCC and Congress develop a long-term solution to stabilize the Universal Service Fund (USF). The Federal-State Joint Board on Universal Service has made a decision that will bring run-away, excessive funding for multiple competitive eligible telecommunications carriers (CETCs) under control, which is indispensable to modernizing the universal service program.
2. Wireless service in rural markets will not be negatively impacted by the Joint Board's recommendation. The more than \$1 billion received by wireless and other CETCs received today will continue to flow; it just will not grow at the unsustainable levels of the past several years. The recommended action would not stop support of wireless in rural markets. Rather, it would provide funds at the current level, which ultimately ensures lower telephone bills each month for all consumers.
3. Explosive growth in USF is largely attributable to wireless providers, and that is why the Joint Board's interim emergency recommendation represents a prudent policy decision. In 2006, wireless CETCs received nearly \$1 billion in universal service support, and it is forecast that they will receive more than \$2.5 billion by 2009. This trend represents the basis of FCC Chairman Kevin Martin's view that the overall growth of USF could be directly linked to the increasing universal service support being provided to CETCs. According to Chairman Martin, CETC USF support payments have been growing at a rate of 101% per year since 2002. In addition, duplicative funding of multiple wireless providers in the same markets is causing huge growth in the fund and increasing fees to consumers.

4. The interim emergency capping mechanism recommended by the Joint Board is nothing new to the universal service program or telephone providers. In fact, support designated to local telephone companies is not only based on their actual costs but is and has been capped for years. Wireless providers and other CETCs, on the other hand, have been unwilling to produce their own costs in order to receive universal service dollars. They have been content to take their funding based on the cost structure of the telephone companies who have already made network investments in rural markets. This means that, while the financial support of incumbent telephone companies is limited, the support the wireless CETCs receive is unlimited. The consequence: 300% percent growth in CETC funding in the last three years, 1000% percent growth since 2000, and a customer USF assessment of 11.7 percent.

5. Rather than joining efforts to reform USF, the wireless industry is focused on protecting a status quo that neither serves the immediate interests of consumers nor addresses the challenge of reforming the universal service program to enable greater broadband availability. While wireless providers say they pay more into the fund than other providers, and therefore claim to deserve increasing USF payments, it is really their customers who are paying into the fund.

6. Efforts by the Joint Board and FCC to stabilize the Universal Service Fund are critical to the long-term vitality of the fund and, consequently, the goal of universal broadband access for all Americans. In the years ahead, global economic competition will require increasingly sophisticated networks that deliver unprecedented levels of speed at much lower costs. Reform of USF must account for this central public policy goal. The record indicates that wireline companies have deployed and can leverage for the future the best technology for affordable, quality broadband service.