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**Study by Former FCC Economist Finds Universal Service Fund Changes  
Undercutting Rural Broadband Investment**

**WASHINGTON (July 24, 2013)** – The approach developed by the Federal Communications Commission to implement caps on Universal Service Fund (USF) support for small telecommunications providers has the effect of chilling investment in broadband infrastructure in some of the country’s most remote communities, according to a study issued today by former FCC Chief Economist Simon Wilkie.

The study was commissioned by NTCA–The Rural Broadband Association (NTCA), United States Telecom Association (USTelecom) and Western Telecommunications Alliance (WTA) to review the approach being used to limit the support that certain rural telecommunications providers receive under the USF’s high-cost program. Wilkie, a professor of economics at the University of Southern California who served as FCC chief economist from 2002 to 2003, analyzed seven years of cost data to identify the effects of the model on predictability of USF support and incentives for responsible and efficient broadband deployment.

Among the study’s key findings are:

- Uncertainty—specifically in the fear that network deployment efforts will result in tripping the limits on support—has dampened rural carriers’ investment in the broadband infrastructure needed to connect unserved rural Americans and enhance existing service.
- A prolonged period of uncertainty and efforts to “game the system” by delaying or deferring much-needed investments merely to attempt to stay below the limits could very well induce a “race to the bottom” as the benchmarks continue to decline over time precisely due to such gaming.

- The FCC’s “one-size-fits-all” approach for limiting small carriers’ support will lead to even more infrastructure delays as the most efficient companies sit on the sidelines out of fear of having support reduced in the future.

“The findings of this study reaffirm what we’ve known for quite some time and that our members reported in a study months ago: That uncertainty from these caps is causing rural carriers—and their lenders—to back away from projects that are needed to spur rural economic development and avoid leaving millions of Americans behind in a broadband world,” said NTCA Chief Executive Officer Shirley Bloomfield. “We recognize the need to encourage efficient and effective broadband investment, but this mechanism in its current form is unfortunately failing to achieve that purpose.”

“The Communications Act explicitly states that rural Americans deserve communications services that are comparable in quality and cost to consumers in urban areas,” said USTelecom President Walter McCormick. “The framework for the investment and support needed to provide these services is fracturing, due to the regulatory uncertainty documented in the Wilkie study. The rules implementing the FCC’s 2011 order have decreased investment in rural broadband infrastructure by the small companies serving 40 percent of our nation’s land mass. We look forward to working with the commission on ways to solve these difficult problems.”

“The National Broadband Plan, which contained the impetus for USF reform, was mandated by the 2009 economic stimulus legislation. Ironically, Professor Wilkie’s report shows that USF reform, and specifically the QRA, is discouraging economic activity in rural areas,” said WTA Vice President of Government Affairs Derrick Owens. “Companies are putting off or halting investment in broadband infrastructure. WTA looks forward to continuing to work with the Commission to address the concerns highlighted in this report.”

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*NTCA—The Rural Broadband Association is the premier association representing nearly 900 independent, community-based telecommunications companies that are leading innovation in rural and small-town America. In an era of exploding technology, deregulation and marketplace competition, NTCA’s members are leading the IP evolution for rural consumers, delivering technologies that make rural communities vibrant places in which to live and do business. Because of their efforts, rural America is fertile ground for innovation in economic development and commerce, education, health care, government services, security and smart energy use. Visit us at [www.ntca.org](http://www.ntca.org).*

*The United States Telecom Association, [USTelecom](http://www.ustelecom.org), is the premier broadband trade association representing service providers and suppliers for the telecom industry. USTelecom represents companies offering a wide range of advanced telecommunications services including voice, video and data over local exchange, long distance, wireless, Internet and cable platforms.*

*The Western Telecommunications Alliance (WTA) is a trade association whose membership is comprised of approximately 250 rural telecommunications carriers providing high-quality voice, video and data services throughout rural areas in the 24 states west of the Mississippi River. On average, WTA member companies serve fewer than 3,000 access lines with fewer than 500 customers in each exchange. WTA's members serve some of the most rural and hard-to-serve communities in the country and are on the forefront of bringing 21<sup>st</sup> Century telecommunications services to rural America. Visit us at [www.w-t-a.org](http://www.w-t-a.org).*