

The FCC launched a rulemaking proceeding Feb. 8 aimed at revising its long-standing Universal Service Fund (USF) with the goal of expanding the nation's wireless and wired broadband Internet network to rural America.

The Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking seek to transform universal service and intercarrier compensation policies and programs to provide funding to make broadband service available and affordable in remote, rural areas and tribal lands.

The USF, established under the Telecommunications Act of 1996, has, among other things, helped to connect rural America to telephone service. However, according to the FCC, elements of the fund have become inefficient and wasteful.

To support USF, a system of payments between carriers, called intercarrier compensation (ICC), has been established. The system, however, has as its foundation payments based on the difference between local/long-distance telephone service and per-minute charges. According to a commission statement released with the rulemaking proceedings, the loopholes in ICC distort markets and derail investment in advanced IP networks.

"The Universal Service Fund is broken.' You don't have to take my word for it. Those are the words of the bipartisan team of **Lee Terry**, vice chairman of the House subcommittee that oversees communications, and Rick Boucher, then the chairman of the subcommittee," said FCC Chairman Julius Genachowski in a statement released with the rulemaking notice. "The Intercarrier Compensation system is broken too. Neither program is up to the nation's broadband challenge, and both are plagued with waste and inefficiency."

Four principles guide the proposed reform outlined in rulemaking notice: modernizing USF and ICC to support broadband networks, ensuring fiscal responsibility, demanding accountability, and enacting market-driven and incentive-based policies.

In the near term, the rulemaking proposal identifies steps to close loopholes, cut waste and reward efficiency. In the longer term, it proposed simplifying and unifying USF into a single fund and eliminating per-minute intercarrier charges.

By cutting waste and inefficiency from the current structure, the FCC aims to spur investment in high-speed Internet in unserved portions of the country.

"Broadband, high-speed Internet, now serves the role that telephone service once did," Genachowski said. "It is the indispensable infrastructure of the 21st century. Broadband has become vital for our economic future and global competitiveness, and it is a key building block

for achieving common goals on education, health care, energy and public safety."

While the commission unanimously adopted the rulemaking, FCC Commissioner Robert McDowell, one of the two Republican commissioners, said he would have preferred to have seen the commission take a more comprehensive approach.

"Today the commission is choosing to take the piecemeal route again by not addressing the contribution mechanism at the same time. While not ideal, in my view, piecemeal reform is better than no reform at all. As such, I commend the chairman for taking on this complex but important effort," McDowell said.

The FCC also will hold public workshops on key issues raised in the proposed reforms. With the combination of workshops and written comment submissions, the commission hopes to provide the public with ample opportunity to register its thoughts about the proposed changes, an agency statement said.

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