

## CQ TODAY - TECHNOLOGY & COMMUNICATIONS

Lawmakers have begun to make good on promises to modernize a federal program that pays for rural telephone infrastructure.

Virginia Democrat Rick Boucher, a senior member of the House Energy and Commerce Committee, says he wants the panel to act by the end of the year on his legislation (HR 2054) to revamp the Universal Service Fund (USF), which was created to ensure access to affordable phone service throughout the country.

Several other lawmakers also have ideas for changing the fund.

Many see the program as bloated and politically unsustainable, and overhauling it has become a quest in the communications industry. It is one of the few major telecom issues expected to see congressional action this year.

"I think we're in a very strong position to move this measure toward passage," said Boucher, who introduced the bill last week with committee member Lee Terry, R-Neb.

The bill would revamp the USF with an eye toward capping the fund's high-cost rural telephone support, broadening its contribution base and promoting the deployment of broadband technology. Boucher and Terry introduced a similar proposal last year.

Boucher said the bill has the support of some major telecom companies, including AT&T Inc. and Qwest Communications International Inc., as well as trade organizations that represent rural and independent telecom providers. Most industry experts and regulators agree that both ends of the USF -- its funding and its distribution mechanisms -- are broken.

Big telecommunications companies, wireless carriers and others contribute a portion of their interstate and long-distance revenue to the USF. That cost is usually passed on to consumers as an extra charge on their phone bills. The fund's contribution base is shrinking because more consumers are switching to wireless and Internet phone services, which contribute less than traditional service providers to the fund.

As a result, and because USF distribution keeps growing, telecom companies are forced to pay a bigger percentage of their interstate and long-distance revenue to ensure that the USF is properly funded -- currently 11.7 percent, up from 9.7 percent in the first quarter of this year.

The USF, meanwhile, has ballooned to \$7.2 billion this year from \$1.8 billion a decade ago, largely because there is no cap on the money that the fund can collect for its rural support program.

There also are complex rules that govern whether and how much a telecom carrier pays into the fund -- and whether and how much an eligible carrier may receive from the fund to pay for improvements in rural areas and other programs.

The fund pays double for some infrastructure: If a telecom carrier loses rural phone lines to a competitor, the company retains its USF payment for those lines -- but the competitor is also paid for maintaining that infrastructure.

USF rules also do not restrict consumers from receiving subsidies for multiple

phone lines. A rural rancher could, for example, have two wired lines and four wireless phones, all of them supported by the USF.

Boucher said he considers his measure "the only comprehensive USF reform bill" introduced in the House so far this Congress. His bill will probably be mirrored by Senate legislation from Alaskan Ted Stevens, the ranking Republican on the Commerce, Science and Transportation Committee.

Boucher said there is "good cross-fertilization" between the chambers on revamping the USF. Daniel K. Inouye, D-Hawaii, the chairman of the Senate panel, also wants to overhaul the fund.

The USF debate is likely to become more complicated throughout the summer. Major recommendations are expected soon from the fund's state and federal regulators, and further decisions on the USF's future are due this summer from the Federal Communications Commission. Legislative efforts could wait until then, committee aides have said.

### **No Universal View**

The Boucher-Terry plan probably will not be the only USF-related proposal to surface this year, committee aides said, because views on how to square the USF diverge widely within the House and Senate panels with telecom jurisdiction.

Aides and analysts say they see three primary camps of USF legislators:

- A caucus of rural lawmakers -- including Boucher, Terry, Stevens and Inouye -- who want to expand the USF contribution base and use the fund to subsidize rural broadband deployment;
- A second group of lawmakers, among them Sen. John McCain, R-Ariz.,

and Rep. Joe L. Barton, R-Texas, who are critical of the USF's philosophy and want to see the program cut significantly; and

- A third camp, which includes House Telecommunications and the Internet Subcommittee Chairman Edward J. Markey, D-Mass., that wants to see competition reintroduced into the USF first and broadband subsidization considered later.

Boucher said last week that conversations on the bill "haven't begun yet" with Markey, whose subcommittee has the stated goal of devising a plan this year for affordable nationwide broadband deployment. USF overhaul will play an important role in that strategy, lawmakers and analysts say.

The country started out on a solid path toward nationwide broadband access with policies laid out in the 1996 Telecommunications Act (PL 104-104), Markey said at a broadband hearing last week.

"Gradually, however, we lost our way, as regulators became convinced that competition within a platform actually hindered overall broadband deployment," he said. The nation now has a cable and DSL broadband duopoly marked by relatively slow speeds and high prices, he said.

