

Two strong Universal Service Fund supporters in the House today unveiled legislation that would broaden the fund's base of contributions, control distributions, allow use of USF funding for broadband service deployments, and revamp administration of the \$7.3 billion program.

After months of meeting with industry stakeholders in an effort to build consensus for the measure which included several rounds of revisions, Reps. Rick Boucher (D., Va.) and Lee Terry (R., Neb.) unveiled the Universal Service Reform Act of 2007, which they said will bring the program into the 21st century by revising rules to expand its reach into advanced telecom services.

"Today, we introduce a bill that represents a midpoint between the net beneficiaries of the fund and the net contributors," Rep. Boucher said. To keep that balance, he said he would like to see no major changes made to the legislation, explaining that major alternations "would probably result in a loss of support for it." His GOP colleague, Rep. Terry, concurred. "We have absolutely struck a good balance on this bill. I don't think there is anyone we haven't talked to."

In an effort to grow the fund's contribution base, the bill calls for contributions to be assessed on intrastate revenues, as well as on non-traditional services such as voice-over-Internet protocol. A fee would also be collected on digital subscriber line and cable modem services. It would be up to the FCC whether to use a contribution methodology based on revenues, working telephone numbers, connections, or a combination of those methods.

To contain USF outlays, the measure would place a "flexible" cap on the program that would allow it to grow "to reflect increases in carriers costs," Rep. Boucher

stated. Payment to eligible telecommunication carriers would be based on their costs, not those of the incumbent in a specific area. In addition, new eligibility requirements would be put into place that would require a provider to serve an entire geographic area, be the carrier of last resort, and be able to provide Lifeline and Link-Up services.

On the broadband front, the legislation would allow carriers to use the dollars they receive to build or enhance their broadband networks. And it would require USF recipients, within five years of enactment, to be offering high-speed Internet service with download speeds of at least one megabit per second to their customers, although three-year waivers would be available from the Commission. "Enacting this provision into law would probably do as much [to expand broadband service availability nationwide] as any other policy," Rep. Boucher said. "This really ought to help elevate American's standing."

The bill would also: require all carriers to identify traffic which originates on their networks so other providers that terminate traffic can seek appropriate intercarrier compensation; permanently exempt USF from the Anti-Deficiency Act; eliminates the "parent trap," which provides that a carrier which acquires telephone exchanges from an unaffiliated carrier receives universal service support at the same level for those exchanges that were eligible prior to the transfer; and prohibit the FCC from adopting a primary line restriction.

While the new version of the bill largely mirrors one introduced by the lawmakers last year, one difference is that it contains a new section calling for competitive neutrality. The congressmen conceded that they made the change in an effort to align the measure more closely to one introduced by Sen. Ted Stevens (R., Alaska) earlier this year. "We do want to get a similar product to the Senate," Rep. Terry said. "The closer we can be with the Senate, the greater chance it will get on the president's desk."

Rep. Boucher said he has not yet had conversations with Rep. Edward J. Markey, chairman of the House telecommunications and the Internet subcommittee, about

the legislation. But he expects hearings to be held on the measure, and that it will be marked up by the panel. The bill currently has 10 additional co-sponsors.

Telecom service providers expressed strong support for the measure. Gary Lytle, Qwest Communications International, Inc.'s senior vice president-federal relations, said the legislators offered a level-headed response to a complicated issue. "This is a program that screams for reform," he said. "It clearly cannot continue" as is, he maintained.

Brian Adkins, Embarq Corp.'s director-federal legislative affairs, said the bill would remove arbitrage opportunities that have hampered the system. "This legislation will bring fundamental reform to the program . . . and retool it for a digital future," he said.

AT&T, Inc., said the bill would be a boon for rural . "We're especially supportive of this bill because it focuses on modernizing the Universal Service Fund for today's reality by broadening the base of contributors and rationalizing the distribution methodology so that the fund can begin to serve the needs of all rural areas, regardless of the type of carrier providing the service."

Walter McCormick, chief executive officer of the U.S. Telecom Association, said, "The Boucher-Terry legislation introduced today is an important initiative to help preserve the future of universal telecommunications service and spur broadband deployment in rural areas."

The Coalition to Keep America Connected agreed, saying the measure would also help rural telcos and the communities they serve by making it possible to expand broadband service availability. "The Universal Service Fund is the best way to meet the great challenge of giving all American access to the unprecedented opportunities created by high-speed broadband," it said.

TDS Telecommunications Corp. also heaped praise on the bill. David Wittwer, the company's CEO, stated the measure would create "a thoughtful reform blueprint to preserve and advance critical telecommunications programs such as [USF], intercarrier compensation payments, and continued deployment of broadband services across our country."

And Mark Rubin, Alltel Corp.'s vice president-federal regulatory affairs, said the reform efforts offered as part of the bill are much more fair to wireless carriers than those expected to be released by the federal-state joint board on universal service net month. "The bill's approach to funding caps, which limits the growth of funding while also requiring competitively neutral distributions, is a far more reasonable approach than the CETC-only cap that the [joint board] is likely to recommend soon," he said.

But while industry officials and both chief sponsors lauded the broad base of support the bill enjoys, the lawmakers admitted that support is lagging in the wireless sector. "We have had a number of conversations with wireless carriers. I think they are treated well under the legislation," Rep. Boucher said. "We expect they will be strong partners going forward." - Ted Gotsch, ted.gotsch@wolterskluwer.com

