

Commissioner Mignon Clyburn
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Thank you, Shirley, for that kind introduction. Good morning everyone! It is really great to be with you today.

While some of you may be aware that I hail from the great state of South Carolina – and I think I see some folks from home here – you may not know that I spent many childhood weekends and summers with my grandparents in a small hamlet called Moncks Corner, South Carolina. That town's population has grown from less than 6000 in 2000, to a staggering 7900 10 years later. While I loved my grandparents deeply, spending day after day along a dirt road that, early on, only had three houses on it did not make it on my top ten social list. Two of my most memorable pastimes were swatting flies on the back porch and watching WWF at midnight.

And, while I would not trade those eventful memories for anything, I was always aware of the challenges inherent in living and serving rural communities and can bear witness to the benefits derived from the service of rural telephone companies. Ma' Bell did not serve our Berkeley County hamlet, but Home Telecom, an NTCA member, did. Individually and collectively, you are doing a tremendous job in providing service to rural communities and bringing the benefits of connectivity to our non-urban neighbors.

When I dialed that rotary phone back in the early 1970s, hearing a voice on the other end was my only expectation. Now, voice-only experience is not sufficient in this always-on, 24/7, digital age. Today, broadband is no longer a luxury but a necessity to find a job, monitor your healthcare, get an education, communicate with loved ones and participate in this society. The challenge, or should I say the goal, we face as a nation is how to ensure universal access to broadband comparable to the way we achieved universal access to telephone service. Five years ago, the FCC's National Broadband Plan laid out a vision to do just that– but it is a vision that for some parts of our universal service program has yet to be fulfilled.

So, I would like to have an open and frank discussion with you on how we can close these remaining divides by further reforming the FCC's high cost universal service fund and modernizing the Lifeline program.

To truly reach our goal of universal service, we need both (1) access to the facilities **and** (2) access that is affordable. Without both legs in place, the effort will not stand. What is too rarely stated is the fact that the principle of ensuring universal access to low-income consumers shares equal weight in the statute with the principle that high cost, rural and insular areas should have access to reasonably comparable service at reasonably comparable rates to urban areas.

NTCA's members often serve areas that are often less dense and higher cost than urban areas, so the universal service fund plays a pivotal role in the deployment and maintenance of

your networks. While you, of course, invest your own capital, federal universal service support is critical in closing the gap between investment and return in less dense, rural areas. In addition, universal service is necessary to ensure that the service, once deployed, is affordable for all.

Let us turn to deployment. The FCC's high cost fund has been instrumental in ensuring that rural and high cost areas have access to communications services. The challenge today, however, is how to ensure that we continue to fulfill this obligation as we move away from voice to broadband. I believe that both the FCC and NTCA recognize the need to reform the existing high cost programs to address the so-called standalone broadband issue – which occurs when the consumer purchases only broadband and no legacy voice product. It is my sincere hope that we can also align and agree on how to move forward with reforms and do so in an expeditious manner. By working together, we all benefit by helping connect consumers with broadband – which the FCC made clear in 2011 is now the primary goal of the universal service fund.

Last year, the agency unanimously adopted four principles to guide universal service reforms for rate of return carriers: (1) staying within the existing budget of approximately \$2 billion; (2) distributing support equitably and efficiently; (3) distributing support based on forward-looking costs; and (4) ensuring that no double recovery occurs.

So, what does this mean as you run your companies and plan for future investment? I ask this because high level principles are one thing, but turning those into a concrete proposal is another.

Change is rarely easy, but we can no longer pretend that the status quo is working optimally when it comes to achieving our objectives. The status quo lacks the proper incentives, which is to reward carriers for deploying broadband networks and having consumers adopt broadband. The status quo, in fact, penalizes carriers for doing just that by taking away certain universal service support when customers subscribe to standalone broadband. We have got to realign incentives and reward efficiencies.

What I wish to convey this morning is that now is the time and today marks a real opportunity to think about a long-term, predictable and stable way. And, yes, I understand that moving away from today's paradigm may be a real concern for some. You know, you understand and are accustomed to the current system. But, the question we must ask ourselves is: does the current course truly meet the needs and demands of today's customers?

This scenario takes me back to the FCC's intercarrier compensation reforms of 2011. During that time, incumbent carriers were experiencing drops in minutes, significant arbitrage, and unpredictable declines in ICC revenues, particularly for intrastate revenues. The ICC regime, much like our high cost programs today, was built on a bygone era. And, as is the case today, everyone agreed change was needed, even if they did not necessarily agree on how to do so.

While not identical to what NTCA proposed, particularly for the recovery mechanism, the ICC reforms the FCC adopted were built upon NTCA's proposals. Under the FCC's recovery mechanism, rate of return carriers are guaranteed revenue even if minutes fall, are

rewarded for efficiencies, and have very predictable streams of revenue that are being used to plan and invest. At the time, any notion of moving away from the rate of return and embedded cost was met with serious concern.

Now, it is nearly four years later and, from what I have seen and heard, the sky has not fallen because of these changes. ICC reforms, which gradually move away from embedded costs and provide recovery for reductions in intrastate rates, have actually produced more stability. In fact, I've heard from some of your members that you prefer this approach to the previous regime. This change, which was not warmly embraced at the time, resulted in a framework where you can plan, adjust and invest. I believe here that past is prologue.

In terms of specific reforms to the high cost fund, I understand that the principle of forward-looking costs may cause concern for some. It is worth noting, however, that the FCC's cost model, as currently structured, gives more than 50% of the rate of return study areas more universal service funding than they receive today. While that also means 50% receive the same or less, there are different paths that could be taken. Reforms could guarantee funding for 10 years, which could provide the stability and certainty I hear consistently are a concern. And, if you do not know where your company stands, the FCC has published the results of the cost model by study area and these results are posted on our website. The model, as it stands today, likely needs further modifications for rate of return carriers, but we cannot have that discussion without your engagement.

To be clear, I am not suggesting that the only solution for reform is a model. In fact, the FCC's ICC reforms promote efficiencies and gradually move away from embedded costs, but are not based on a model. What I am suggesting is for you to be open to different frameworks, because, as we have seen, change in the end could bring positive returns.

Shifting to adoption. While I know that high cost reforms are a priority for NTCA, I submit to you today that reform of the FCC's Lifeline universal service program should be an equal priority. In rural areas, according to the US Department of Agriculture, as of 2013, 18% of consumers are living in poverty. And, in some areas of the country, like the South, over 20% of the rural population is living in poverty.

Congress charged the FCC with ensuring that all Americans, including low-income consumers, have affordable access to advanced telecommunications and information services. I believe that this agency, no ... I believe that all of us have fallen short when it comes to this directive. Lifeline, the only universal service program focused on adoption, remains stuck in an era where leg warmers and stretch stirrup pants were the fashion craze. Currently, Lifeline directly supports voice only and has not been fundamentally reformed since its creation in 1985.

A rebooted, improved, 21st century adoption program could be one of the best investments our government ever makes. In November, I outlined five principles for Lifeline reform and stated in sum, that:

- First, we must establish minimum service standards, which would lead to better levels of service, for Lifeline recipients. This is particularly true for mobile

service, but as we move to advanced services, we should have baseline expectations, just as we have in the context of the Connect America Fund.

- Second, providers should no longer be responsible for determining customer eligibility. Lifeline is the only federal benefit program I know of where the provider determines the consumer's eligibility. That must change. For providers, this change would yield significant administrative savings, and, for consumers, it would bring dignity to the program experience.
- Third, we should encourage broader participation by eliminating unnecessary barriers that discourage provider participation.
- Fourth, we should leverage efficiencies from existing programs by, for example, instituting coordinated enrollment, which would allow customers to enroll in Lifeline at the same time that they apply for other benefit programs.
- And, fifth, we need public-private partnerships and coordinated outreach efforts, because the lack of a centralized effort is leaving too many who qualify behind.

I invite your feedback on these principles and on how to turn these and other principles into proposals. What are the barriers to your customers subscribing to broadband? If you agree that the carrier should be removed from establishing eligibility for Lifeline, how should that be done? Should this all be done by the states when they enroll eligible customers in other benefit programs, should there be a national database or a national third party verifier (as is done in California)? These and other questions need to be asked and answered. I hope that the FCC moves to adopt a notice of proposed rulemaking this summer, and I sincerely want your input to help us move forward.

Data released by Pew this month underscores the need for reform and counters the assertion that a Lifeline subsidy should no longer be offered:

- 44% of low-income smartphone owners have had to cancel or suspend their service due to financial constraints.
- For those whose only access to the Internet is their smartphone, 48% have had to cancel or shut off their cell phone for a period of time because the cost of maintaining the service was a financial hardship.

So the criticism that Lifeline does not serve its targeted audience because people already have phone service is a myth. Too many consumers are struggling to maintain service, and we have a duty to respond.

From where I sit, these data points leave no question that there is a real need for a modernized Lifeline program. I sincerely hope that NTCA and each of you will work with us to develop solutions to reform our only means-tested, adoption program. Without reforming Lifeline and closing the gap when it comes to affordability of essential advanced services, we risk building technology bridges to nowhere – where the facilities are in the ground, but the consumer remains unable to afford to adopt.

Before I close, I want to highlight an issue that remains of great concern to me – rural call completion. It is unacceptable that calls to rural areas are not being completed, which is why I made rural call completion a priority during my brief tenure as Acting Chairwoman. We adopted

an Order to initiate steps to tackle this unacceptable practice, including prohibiting the practice of a ringing signal unless the call is actually completed and requiring carriers to retain and report data on call completion. The data collection rules went into effect on April 1st, and the first reports are due by August 1st.

While we gather and analyze data, we need to continue to hear from you. Let the FCC know if you are still experiencing problems because we recognize that our job here is not done. The data collected will ensure that the FCC has the tools necessary to take enforcement action and, if appropriate, adopt additional rules to ensure that the problem is addressed.

Thank you very much for the invitation, and I hope you continue to enjoy your conference.