STATEMENT OF
CHAIRMAN AJIT PAI

Re: *Connect America Fund*, WC Docket No. 10-90.

In 2016, the average rate for basic phone service in Washington, DC was $13.78 a month. But since July 1 of last year, federal law has mandated that rural telephone companies charge their customers at least $18 per month for the same service.

Why? It relates to federal subsidies, or high-cost universal service support, that the FCC directs to these companies. In 2011, ostensibly concerned that certain rural carriers were over-subsidized, the FCC required these companies to charge artificially higher minimum rates—on penalty of losing federal funding. This is called the "rate floor." As I said, the rate floor today is $18. It's scheduled to climb to $20 this July and $22 next July.

This is an especially hard hit on the consumers who can least afford it. That's because rural Americans make less money than their urban counterparts. For example, the median household income in Washington, DC is over $75,000. The median household income in Lyon County, Kansas, which I visited last October, is under $41,000—less than 55% of the capital's tally. Mandating higher rates under these circumstances contravenes section 254(b) of the Act, which requires the FCC to ensure "[q]uality services . . . available at just, reasonable, and affordable rates."

Notably, the rate floor imposes higher costs on rural consumers without any corresponding federal benefit. It hasn't saved federal taxpayers much money. That's because companies can avoid losing support by just raising their rates. And it won't save taxpayers money going forward. That's because now any subsidies that are lost by one provider are just redistributed to others.

It's time to give the rate floor a hard look. That's why I'm pleased that under this *Notice*, we'll explore whether to fix or eliminate this broken policy. I'm also glad that we will freeze the rate floor at $18 to prevent the impending 11% price hike that rural consumers would otherwise face a few weeks from now.

It's unfortunate we couldn't get a unanimous vote. Having had success working together to address waste, fraud, and abuse in the high-cost program last year,[1] we had been working together now in good faith to address the problems with our rate-of-return rules. On March 13, 2017, for example, Commissioner Clyburn said, "I would support fixing our rules regarding the per-location cap on the capital investment allowance."[2] Only 34 days later, at our most recent open meeting, we adopted this fix to the capex limitation. We worked together to put consumers first. In that same speech, Commissioner Clyburn said, "I would support hitting the 'pause' button on rate floor increases." So we teed up an item doing just that. And for the past two weeks, we accommodated every single edit the Commissioner asked for on this item. But now, 62 days after calling for a stay of the rate floor, my colleague is voting against a stay of the rate floor. To be sure, that is consistent with the 2011 vote to mandate higher prices for rural consumers. But it isn't consistent with putting consumers first.

As always, I'm grateful to the staff for their excellent work on this matter—specifically, the Wireline Competition Bureau's Lisa Hone, Jesse Jachman, Alex Minard, Kris Monteith, and Suzanne Yelen. Your work has helped lower-income consumers spend their hard-earned dollars on their families instead of on their phone bills.

[1] Sandwich Isles Communications, Inc. Joint Statement of Commissioners Mignon Clyburn and Ajit Pai on December 5, 2016, https://go.usa.gov/xNkTZ.

[2] Remarks of FCC Commissioner Mignon L. Clyburn, 2017 WTA Spring Meeting (Mar. 13, 2017), *available at* http://bit.ly/2pULqf1.