



OPASTCO

USF = KEEPING RURAL AMERICA CONNECTED

ORGANIZATION FOR THE PROMOTION AND ADVANCEMENT OF
SMALL TELECOMMUNICATIONS COMPANIES

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UNIVERSAL SERVICE IN RURAL AMERICA IS IN JEOPARDY

- The size of the Universal Service Fund (USF) is currently \$6.3 billion annually, of which \$3.3 billion is for high-cost support. If all wireless carriers nationwide were granted eligible telecommunications carrier (ETC) status, it is estimated that the Fund would grow by approx. \$2 billion. This would either dramatically increase consumer surcharges, or result in no carrier having the funding necessary to provide affordable, high-quality telecommunications services to rural consumers.
- The issue is not whether there should be competition in rural America. There already is competition in rural America from multiple providers using wireless, wireline and cable platforms. Rural consumers are benefiting from this competition today.
- The real issue is when does using limited public funds to support multiple carriers in high-cost rural areas serve the “public interest”?



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- The 1996 Act requires state commissions and the FCC to treat ETC designations differently in the areas served by rural telephone companies. It requires them to find that the designation of an additional ETC in a rural service area is *in the public interest* before such a designation is made.
- In many instances, state commissions and the FCC have not been following the intent of Congress and have been routinely designating additional ETCs in rural service areas without thoughtfully and thoroughly considering all of the factors that determine the public interest.
- Standardized public interest principles and eligibility criteria are needed to guide state commissions and the FCC in their consideration of ETC applications for rural service areas. (For more detail, see OPASTCO white paper [Universal Service in Rural America: A Congressional Mandate at Risk.](#))



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OPASTCO RURAL USE PRINCIPLES

- RURAL CONSUMERS SHOULD HAVE AFFORDABLE TELECOMMUNICATIONS SERVICES, COMPARABLE IN QUALITY AND PRICE TO URBAN AREAS.
 - This principle is consistent with the universal service principles adopted by Congress in Sec. 254(b) of the 1996 Act.
 - Sec. 254(b)(1) of the 1996 Act states that quality services should be available at just, reasonable and affordable rates.
 - Sec. 254(b)(3) of the 1996 Act states that consumers living in rural and high-cost areas should have access to telecommunications and information services, including advanced services, that are reasonably comparable to those services provided in urban areas and at reasonably comparable rates.



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OPASTCO RURAL USE PRINCIPLES

- FUNDING SHOULD BE SUFFICIENT TO PROVIDE FOR CRITICAL INFRASTRUCTURE IN RURAL AREAS.
 - The 1996 Act says that federal universal service support should be sufficient to provide, maintain, and upgrade the supported facilities and services.
 - A provider of critical infrastructure is a carrier that is capable of providing customers with reliable, ubiquitous, facilities-based service of the highest quality. Rural telephone companies are the critical infrastructure providers in their areas.
 - Universal service funding is an essential means of genuine cost recovery for rural telephone companies.
 - In high-cost rural service areas, if finite universal service resources are divided among multiple providers, there may no longer be sufficient support to maintain even one critical infrastructure provider.



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OPASTCO RURAL USE PRINCIPLES

- THE USE IS A SCARCE NATIONAL RESOURCE. THEREFORE, SUPPORTING MULTIPLE CARRIERS IS IN THE PUBLIC INTEREST ONLY WHEN BENEFITS EXCEED COSTS.
 - In order for the objectives of high-cost support to be fulfilled, investment in rural infrastructure needs to be encouraged, and funding must remain robust enough for this to occur.
 - If ETC status continues to be granted with minimal restriction by state commissions and the FCC, the size of the fund will grow to an unsustainable level, and ultimately leave no carrier with sufficient support.
 - Competition alone is not a sufficient reason for designating additional ETCs in rural service areas. Both costs and benefits must be carefully weighed if limited federal funding is to be managed for the optimal public benefit.



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OPASTCO RURAL USE PRINCIPLES

- THE USE SHOULD NOT BE USED TO CREATE UNECONOMIC COMPETITION.
 - The recent financial catastrophe that occurred in the telecom sector was a result of uneconomic market signals created by policymakers, causing more network capacity to be constructed than could reasonably be supported by market demand.
 - A similar market failure could easily occur in rural markets if regulators continue to support multiple carriers in sparsely populated areas where sufficient demand does not exist.
 - The cost of market failure in high-cost rural America could be severe. Alternative carriers may not emerge to serve the most remote and highest-cost customers if the rural telephone company is forced into bankruptcy or is no longer able to serve throughout the area. This would jeopardize the ubiquity of the nationwide network.



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OPASTCO RURAL USE PRINCIPLES

- ALL CARRIERS RECEIVING USF SUPPORT SHOULD BE HELD TO THE SAME SERVICE OBLIGATIONS AND REGULATORY STANDARDS.
 - The FCC adopted “competitive neutrality” as a universal service principle. Ironically, many FCC and state commission policies are not at all competitively neutral and are decidedly biased in favor of competitive carriers.
 - ETC designations in rural service areas should be made for the same area that the incumbent local exchange carrier is required to serve (i.e., study area).
 - State commissions should hold competitive ETCs to the same service quality standards and reporting and billing requirements as the incumbent.
 - Equal access to interexchange service should be supported by the USF so that all ETCs are required to provide it, not just local exchange carriers.



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OPASTCO RURAL USF PRINCIPLES

- FUNDING SHOULD COME FROM THE BROADEST BASE OF PROVIDERS AND SERVICES.
 - The 1996 Act requires every telecommunications carrier that provides interstate telecommunications services to contribute to the USF on an equitable and nondiscriminatory basis. The FCC also has permissive authority to require contributions from any other provider of interstate telecommunications.
 - All facilities-based broadband Internet access providers over all platforms (ex., cable modem, DSL, satellite, wireless) should be required to contribute, regardless of classification.
 - The migration to broadband and IP networks is growing, and the majority of this traffic is handled by providers that presently are not required to contribute.
 - Requiring all facilities-based broadband Internet access providers to contribute is necessary to maintain sufficient support for the long-term. It is also competitively neutral.