



National Hispanic Media Coalition
1201 West 5th St., Suite T-205
Los Angeles, CA 90017
Tel: (213) 534-3026
Fax: (213) 534-3027
Email: info@nhmc.org
www.nhmc.org

Federal Communications Commission

445 12th Street, SW
Washington, DC

President & CEO

Alex Nogales

November 30, 2007

Executive Board

Fern Espino, Chair
Lidia S. Martinez, 1st Vice Chair
Marta Garcia, 2nd Vice Chair
Jeff Penichet, Treasurer
Pete Gomez, Secretary

Dear Chairman Martin:

As President/CEO of the National Hispanic Media Coalition, I want to share with you my recent op-ed that was published in the Dallas Business Journal on the critical importance of reforming the Universal Service Fund (USF). With payments to phone companies skyrocketing every year, USF reform is critical to ensure its long term sustainability and protect ratepayers who ultimately pay the bill.

Legal Counsel

Francisco X. Gutierrez, Esq.

The USF program is costing Americans more and more every year. Payments to wireless companies have grown from roughly \$15 million in 2001 to well over \$1 billion in 2007. The National Hispanic Media Coalition strongly supports USF reform.

National Board

Pete Gomez, Los Angeles, CA
Jeff Penichet, Los Angeles, CA
Lidia S. Martinez, San Diego, CA
Elmy Bermejo, Sacramento, CA
Marcela Aviles, San Jose, CA
Ana M. Montes, San Francisco, CA
Francisco Gutierrez, Phoenix, AZ
Ana Maria Soto, Chicago, IL
Fern Espino, Detroit, MI
Adrian Cotasaenz, Atlanta, GA
Marta Garcia, New York, NY
Angelo Falcon, New York, NY

A temporary cap provides a much needed pause so that substantive reform may take place. The time is now to establish a more efficient USF. On behalf of the NHMC, I urge you to support this timely and important set of reforms.

Best Regards,

Alex Nogales
President & CEO

Cc:
Commissioner Adelstein
Commissioner Copps
Commissioner McDowell
Commissioner Tate

National Hispanic Media Coalition Business Advisory Board

* Gilbert Davila, Chair, The Walt Disney Company * Luis Balaguer, Latin WE * Eddie Batiz, Batiz.com * Ivelisse Estrada, Univision *
* Lidia S. Martinez, Southwest Airlines * Luis Rossi, Rossi Enterprises * Raul Medrano, Medrano & Associates * Fernando Soler, SOS Global Express

National Hispanic Media Coalition Creative Advisory Board:

* Luis Avalos, Actor/Director * Mocesuma Esparza, Maya Cinemas * Nely Galan, Galan Entertainment * Dennis Leoni, Resurrection Blvd.*
* Phil Roman, Roman Entertainment * Doyle Rose, President, ROI Media Solutions * Walter Ulloa, Chairman, Entravision Communications *
* Jeff Valdez, Si TV * Bill Dana, Entertainer*

<http://dallas.bizjournals.com/dallas/stories/2007/11/26/editorial5.html>

Public being fleeced with fees to cell cos.

By Alex Nogales, Dallas Business Journal

November 23, 2007

The Universal Service Fund is a noble idea. Set aside a little bit from every phone bill to help subsidize the high cost of providing phone service in rural areas. And while you are at it, help libraries and schools get connected to the Internet.

Congress included these USF reforms more than a decade ago when passing legislation to bring more competition to the industry. In the intervening time, however, the USF has grown from its initial purpose of subsidizing high-cost rural coverage and providing Internet connections for schools and libraries into a honey pot for upstart cellular telephone firms. To put this in perspective, last year the USF, totaling \$6.6 billion, paid out \$4.1 billion directly to telephone companies compared to the \$1.7 billion paid to the schools and libraries fund. We sorely need a comprehensive reform of the USF, and a cap on high-cost payouts from the Fund is a step in the right direction.

Some of the most vital support from the USF – like that to schools and libraries – has been capped from the start. The same goes for support to incumbent wireline carriers. We need the same to apply to the cell phone companies. FCC Commissioner and Joint Board Chair Deborah Tate told the Senate Commerce Committee that immediate action was necessary to stem the explosive growth in monetary outlays while continuing to make sure that affordable and quality services were available to consumers across the country.

Incredibly, in some regions there are 8-10 carriers being subsidized resulting in a 300% increase in wireless funding in the last 3 years. We should reform the current system where wireless carriers are subsidized by how many subscribers sign up instead of by how much their service area increases. Indeed, unsubsidized companies provide significantly more coverage than subsidized firms. The former covers some 97 percent of the population while the latter manages to reach just 70 percent. Yet, payouts to the subsidized firms, predominantly the cell phone companies, continue to skyrocket while unsubsidized firms had their payouts capped more than a decade ago. This doesn't make much sense.

Two of the biggest contributors to the Fund – to the tune of over \$1 billion combined – are California and Texas. More than 35 percent of the population of these two states count themselves as Hispanic. Throw in Florida and you add almost another 7 million Latino consumers and potential contributors to the USF. In these states, the high-cost funding to Competitive Eligible Telecommunications Carriers (CETCs) – the majority of which are wireless carriers – has grown to more than \$1 billion from \$15 million in the five years from 2001 to 2006.

Florida and California are paying more in USF taxes than they are receiving back for schools, libraries, healthcare facilities and rural connectivity, and this is directly impacting those who live in these communities. Latinos and non Latinos alike are being forced to pay more and more into this fund every year with diminishing returns for their contributions.

Normally, when you subsidize something, you get more of it. Some wireless carriers, however, have turned this simple logic on its head. Criterion Economics reported in two studies released in June that in this case, there is zero correlation between subsidies paid and expanded wireless coverage. In other words, Taxpayers who are funding this whole venture are getting no additional coverage for the millions they are contributing.

When we get right down to it, it's you and I and every other American, Latino or non Latino, who pays a phone bill who are funding this wasteful spending. Before we get too much deeper into this whole deal, we need to stop the bleeding by stepping back and reassessing where we're going. A temporary cap gives Congress and the FCC much needed breathing room to craft real and substantive reform for the Universal Service Fund. Capping how much we're willing to pay for this great and necessary program is a reasonable first step towards creating a sustainable, equitable and efficient USF program that meets its original intent.