

Rural Connections at Risk

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Despite well-reasoned opposition, the Federal Communications Commission appears to be committed to reforming the way mobile communications in rural areas are subsidized. Unfortunately, the fix it is likely to choose penalizes rural areas without addressing real problems with the fund.

The Universal Service Charge, usually about 10 percent of local, interstate and international line charges, is used to raise money to subsidize high-cost rural phone companies, Internet and telecom connections for schools and libraries, phone service for low-income customers, and telecom costs of health care providers that use telemedicine.

In 2006, the Universal Service Fund paid out more than \$4 billion, with local exchange carriers getting about \$3 billion and \$1 billion going to eligible telecommunications carriers, which are wireless carriers. The FCC estimates that payments to wireless carriers will grow to \$2.5 billion by 2009.

However, wireless companies have contributed about \$2.5 billion annually to the fund and have received a total of about \$2 billion in payouts since 1996, while more than \$22 billion has gone to land-line carriers.

This spring, the Federal-State Joint Board on Universal Service recommended a one-year cap on fund payments to wireless carriers while the FCC looked for ways to slow payouts from the fund. The FCC is expected to decide whether to adopt the recommendations early next month.

The Maine Legislature earlier this year passed a resolution calling on the FCC and Congress to rethink the cap. The resolution noted that the goals of the Telecommunications Act of 1996, which created the Universal Service Fund, have yet to be realized in many Maine communities. Further, the failure to have high-quality wireless service at affordable rates remains a barrier to economic development.

Maine has two eligible telecommunications carriers: U.S. Cellular and UniceL. Each year, the companies present the Maine Public Utilities Commission with their plans for increasing coverage. If the PUC finds the plans faulty, it can deny certification to participate in the program.

UniceL and U.S. Cellular have used funds primarily to build new towers to provide coverage to new areas. They estimate their 2007 payouts will be about \$15 million. If the cap is implemented, they would get about \$13 million. The reduction would mean five new towers would not be constructed.

Ensuring the Universal Service Fund supports needed telephone infrastructure work while looking for ways to include broadband in the fund makes sense. Doing this at the expense of better cell phone service in rural areas does not, so the FCC should drop the cap. If it does not, Congress should remove it.