

Federal-State Joint Board recommends USF cap to FCC

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By Jayne Andrews

John E. Rooney, president and CEO of U.S. Cellular, was probably not surprised that the Federal-State Joint Board on Universal Service recently recommended that subsidies for companies providing phone service in rural areas be capped. Rooney and Connecting Rural America, a grassroots coalition of advocacy groups, elected officials and community leaders, had been working diligently to convince regulators that without the subsidies, rural areas would be severely impacted by the cap. While U.S. Cellular, the country's 6th-largest wireless provider, was not receiving funds in Tennessee before the November decision, the company had an application pending with the state.

"This is not reform as the regulators claim it is," said Rooney. "Congress provided for this fund in order to encourage wireless providers like U.S. Cellular to invest in rural areas where it is much more expensive to provide service. To me, it is obvious that the need for wireless service in rural America is a matter of public safety. This should supersede the blind pursuit of whatever it is the FCC is working on. They say they are striving for reform, but there is no uniform that they have to do that, so this freeze could go on for years."

According to Rooney, the cap will stop cellular companies from investing in rural areas — the very areas he said need wireless service the most.

Rooney explained that many members of Congress receive substantial campaign funding from small rural telephone companies who receive the bulk of payments from the Universal Service Fund (USF). Consequently, even though Congress originally did not intend for this inequity of subsidy distribution between landline and cellular providers when they implemented the Telecommunications Act of 1996, the inequities continue.

"The board's decision that each rural geographic area be served by a single wireless carrier forces a federally regulated and subsidized monopoly system on rural residents and businesses, as well as first-responder agencies," Rooney said. "Wireless carriers like U.S. Cellular are willing to invest hundreds of millions of dollars in rural areas, but we need to be able to participate in the USF fairly and equally with rural phone companies."

Rooney said that in addition to 14 members of Congress that support not capping the USF, there are many elected officials and community leaders in Tennessee who have

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personally told him they are fully behind allowing wireless providers participation in the fund.

"These are people who very strongly support the program," Rooney said. "They realize how important this is to sheriff departments, first responders, fire departments, shelters for abuse victims and residents in rural areas. Over 4,500 letters have been sent to the FCC and members of Congress. And we've had over 150 reports on this in the media."

Major newspapers like the Chicago Tribune and the Milwaukee Journal Sentinel have editorialized in favor of Rooney and the Connecting Rural America, group as well, pointing out that the public good is at stake.

"We've not been accused of asking for 'corporate welfare,' but the debate has been whether we would bankrupt the fund," Rooney said. "Right now, nationally we get far less than telephone companies."

"When Congress modified the Telecom Act, they explicitly said that wireless companies should be able to draw from the fund," Rooney continued. "The FCC is trying to thwart the will of Congress."

In the past decade, the USF has collected \$45 billion nationally from phone bill surcharges. And while the FCC does not have to accept the recent recommendations of the board, industry analysts predict they will.

Currently, it is believed caps will be implemented on wireless providers and that a majority of the USF will be earmarked for expanded deployment of broadband services in rural areas in hopes of increasing investment levels.

The FCC has until November 2008 to make its decision.