



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

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See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

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NEWS MEDIA CONTACT:
Neil Grace, 202-418-1032
Email: neil.grace@fcc.gov
Mark Wigfield, 202-418-0253
Email: mark.wigfield@fcc.gov

FCC CREATES ‘CONNECT AMERICA FUND’ TO HELP EXTEND HIGH-SPEED INTERNET TO 18 MILLION UNSERVED AMERICANS; CREATING JOBS & INCREASED CONSUMER BENEFITS

Agency delivers bipartisan vote to modernize America’s communications infrastructure and expand broadband throughout the nation

Washington, D.C. – In the most significant policy step ever taken to connect all Americans to high-speed Internet, wherever they live, the FCC voted unanimously to comprehensively reform its Universal Service Fund and intercarrier compensation systems. Those systems have been widely viewed as broken, and long overdue for reform. Efforts to expand high-speed Internet to rural America over the next six years will increase economic growth by \$50 billion over that period, the FCC estimates.

These reforms create a new Connect America Fund with an annual budget of no more than \$4.5 billion, which will extend broadband infrastructure to the millions of Americans who currently have no access to broadband. As a result, today’s action has the potential to be one of the biggest job creators in rural America in decades. The FCC estimates that approximately 500,000 jobs will be created over the next six years by expanding high-speed Internet access to over 7 million Americans living in rural areas. And by increasing the overall size of the U.S. marketplace, small Main Street businesses across the country will benefit from the opportunity to sell to new customers.

As part of this reform, the FCC recognizes the growing importance of mobile broadband and makes it an independent universal service objective for the first time in history. Dedicated support to expand mobile broadband nationwide will be provided through a new Mobility Fund.

The Connect America Fund will put America on the path to universal broadband and advanced mobile coverage without increasing costs to consumers. By eliminating waste and targeting support where it is most needed, these reforms put universal service funding on a firm budget, and they will impose strict new accountability on fund recipients.

The Order and Further Notice of Proposed Rulemaking reflect broad input received by the FCC in over 2,700 comments from a diverse array of stakeholders. Further details are provided in the attached Executive Summary. The outlines of this comprehensive reform are as follows:

- **INCREASED CONSUMER BENEFITS:** The FCC estimates that, over the next six years, the Connect America Fund will expand broadband access to over 7 million residents of rural areas who are currently unserved, and will put the country on the path to universal broadband within a

decade. The Mobility Fund will expand advanced mobile broadband access to tens of thousands of road miles, where millions of people work, live, and travel, and will include dedicated support for Tribal areas. Intercarrier compensation reform will eliminate hidden costs in consumer bills, providing economic benefits to long distance and wireless consumers across the nation of \$2.2 billion annually in the form of lower prices, better value for the money, or both. Expanded broadband access will generate approximately 500,000 jobs over the next six years. As part of this reform, some consumers may pay, on average, an additional 10 to 15 cents a month on their bills; but for every dollar in cost, reform will provide \$3 in benefits for consumers. And no additional charges can be imposed on consumer phone bills that are at or above \$30 a month (inclusive of most fees consumers pay on their bills), nor can such charges be imposed on low-income consumers served by the FCC's Lifeline program. Any new charges will begin to decline after six years.

- **COMMIT TO FISCAL RESPONSIBILITY**: A firm annual budget set at current levels—\$4.5 billion—will prevent growth in the Fund and help protect consumers from increased contribution fees. Programs that provide subsidies where they are not needed are eliminated, and compensation for corporate overhead expenses is reduced. Market-based mechanisms, including competitive bidding, will be used to distribute money more efficiently.
- **DEMAND ACCOUNTABILITY**: In order to receive Connect America Fund support, carriers must demonstrate they are deploying broadband to their customers. These networks must meet performance criteria that enable the use of common applications such as distance learning, remote health monitoring, VoIP, two-way high quality video conferencing, Web browsing, and email.
- **ENCOURAGE DEPLOYMENT OF MODERN NETWORKS**: Intercarrier compensation distorts investment in technology and discourages investment in modern Internet Protocol networks. It is also unfair to consumers, forcing wireless and long distance customers to provide billions of dollars per year in hidden subsidies to phone companies. Reform will ensure fairness to consumers, promote competition, and foster innovation in communications services. In addition, the Order takes immediate action to end wasteful and costly gaming of the intercarrier system, including schemes such as phantom traffic and traffic pumping.

Action by the Commission, October 27, 2011 by Report and Order and Further Notice of Proposed Rulemaking.

Docket Nos.: 10-90, 09-51, 07-135, 05-337, 01-92, 96-45, 03-109, 10-208

Wireline Competition Bureau Staff Contacts: Amy Bender, at 202-418-7400, and Victoria Goldberg at 202-418-1540

Wireless Telecommunications Bureau Staff Contact: Margaret Wiener at 202-418-2176

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