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Opening Statement of Rep. Henry A. Waxman
Chairman, Committee on Energy and Commerce
Universal Service: Reforming the High-Cost Fund
Subcommittee on Communications, Technology, and the Internet
March 12, 2009

I am pleased that the Subcommittee is beginning its review today of the nation's Universal Service Fund. I suspect we all agree that the program is in need of repair and that the High-Cost Fund is a good place to start.

I would like to outline a few principles that will guide me during this process.

First, I believe the goals of universal service are as important now — in the age of broadband — as they have ever been. Simply put, we cannot allow any part of the country — urban or rural — to be left behind.

Second, we need to modify the program by looking forward, not by looking back. We need a Universal Service Fund that supports the broadband networks of the future, uses public money wisely and efficiently, and spreads responsibility for the program as broadly and equitably as possible.

Third, we must recognize that public obligations accompany public money. The $7 billion Universal Service Fund is financed by consumers. Service providers are simply conduits that transfer to the Fund an 11% fee on top of ordinary charges for long distance and international calls.

We should ensure that recipients of these public funds meet certain obligations that benefit the consumers who pay these fees.

For example, last Congress, I introduced legislation to require wireless companies that receive USF subsidies to open their networks to other carriers for roaming purposes. I plan to reintroduce that measure shortly. Going forward, this Committee will look closely at whether additional public interest conditions are appropriate.

Fourth, we must ensure full accountability and transparency in this program. As GAO concluded in a June 2008 report, despite the investment of over $30 billion in the High-Cost Fund over the last 12 years, there are no data to show what this massive investment has produced.

I know Ranking Member Barton feels strongly about this point, and I look forward to working with him and other Committee members who share our concern about performance measures and potential waste, fraud, and abuse.

As Chairman of the Committee on Oversight and Government Reform during the last Congress, I asked the FCC to provide a list of the ten largest recipients of High-Cost Program subsidy dollars for 2006 through 2008, as well as a list of the ten largest per-line subsidies by location for 2006 and 2007.

This was not secret information, but it had not been collected or released in this format before. The results of this inquiry raise additional questions about the High-Cost Program.

For instance, three companies in Hawaii — Sandwich Isle Communications, Sprint Nextel, and Mobi PCS — each receive a subsidy of close to $13,000 a year per line to serve the same insular area. Over the past three years, these three companies received a total of more than $120 million in support.

Under current rules, a single household in this part of Hawaii might have a landline phone connection from Sandwich Isle Communications, a wireless phone from Sprint Nextel, and a wireless phone from Mobi PCS, resulting in a federal subsidy of $39,000 per year.

As we consider reforms to the High Cost Fund, we should ask tough questions and be open to creative solutions. For example:

- Where is the money going and to whom?
- Is this really the best use of public dollars?
- Are companies adequately demonstrating that funds are being used for their intended purposes?
- Are there less expensive ways to provide service by using different technologies?
- Should we consider competitive bidding for what are, in effect, government contracts?
- For how long and at what level should carriers be supported after they build facilities?
- Should we consider requiring state matching grants?
- Now that over 90 % of American households have access to wireline broadband, should we consider shifting the Fund to also support consumer adoption of broadband?

I know Universal Service legislation is a priority for Chairman Boucher. I look forward to working with him, Ranking Members Stearns and Barton, and the other members of the Committee to figure out the best way forward.