

Universal Service Reform, Getting It Right
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The FCC's broadband juggling act just became much more complicated with President Obama's Monday announcement of [an initiative to double the amount of available spectrum for broadband mobile services](#). The commercial mobile service allocation, now at 547 MHz, could get an additional 500 MHz over ten years.

The news is welcomed for those who expect huge productivity gains for the U. S. economy but the initiative will make it much harder for the FCC and other government agencies to get the policy right in the multiple proceedings and initiatives aimed at implementing the [National Broadband Plan](#).

It's a Complex Issue

The [FCC Chair responded to the announcement enthusiastically](#) and noted that implementation of the plan requires cross-government collaboration. However, more than collaboration will be needed for the FCC to get it right as it tries to cap the \$9 billion Universal Service Fund and transition to a [Connect America Fund](#) (CAF).

It won't be simple to shift savings from USF reform toward broadband communications. No reform can ignore other issues that affect the viability of carriers that receive funds today: the role of competition in the market, the unsettled issues related to intercarrier compensation, the pros and cons of incentive regulation, carrier of last resort obligations, cost recovery for legacy systems, the viability of pooling and carrier access tariffing arrangements. The introduction of 500 MHz of additional spectrum for wireless broadband services adds one more complication to the mix.

No Shortage of Questions

Just what will this additional allocation mean for broadband deployment in rural and unserved areas? Are regulators capable of factoring in the potential of this added allocation into any models or predictions about the correct size of the capped USF fund or ultimately the new CAF? Will the new spectrum be allocated in sufficient time to avoid stranded legacy costs that could result from erroneous assumptions and faulty implementation of the capped USF or the CAF. Will new services, equipment and devices develop and hit the market in sufficient time to promote the delivery of broadband services on a competitive basis? Will certain markets require CAF support for these services? Can the FCC adopt rules or models that are flexible enough to promote simultaneous and early deployment of new facilities and services in urban and rural areas? Can bidding credits and deep discounts for spectrum eliminate the need to support wireless broadband service providers in rural and unserved areas?

Learn From the Past

The mistakes of the past urge caution in answering these questions and factoring them into decision making. After more than a decade, the FCC is still struggling to correct its decision to base USF support for competitive eligible telecommunications on the costs of incumbent local exchange carriers.

Neither it nor the industry foresaw that that decision would provide windfalls to certain carriers and balloon the USF to unsustainable levels. This time around, the agency will need vision and exacting analysis to get it right and the flexible and nimble approach of a master juggler to make corrections fast if it does not.