

Universal Service Fund Reforms—Other Issues

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Other Issues: In conjunction with its decision to refocus the universal service system on broadband services, the Order also modifies obligations of existing ETCs. First, it establishes a revised, technology-neutral definition of the voice services eligible for support, mainly in order to ensure that VoIP services count as supported voice services. Second, it requires ETCs currently receiving support under the High Cost program to offer broadband service in “their supported area” consistent with basic performance requirements, and to report on their performance measures. The basic performance requirements are 4 Mbps downstream / 1 Mbps upstream, latency suitable for VoIP, and reasonable usage limitations (presumptively no less than 10 GB per month).

It does not appear that competitive ETCs whose support will be phased down under the new system will be subject, during the phase-down, to the broadband performance requirements, unless those ETCs win bids for providing broadband through the CAF or Mobility Fund.

Voice Telephony Services: The Order establishes a new definition of “voice telephony services” with four components: (1) voice grade access to the public switched network or its functional equivalent; (2) minutes of use for local service provided at no additional charge to end users; (3) toll limitation to qualifying low income customers; and (4) access to 911 and enhanced 911 services to the extent the local government in an ETC’s service area has implemented 911 or enhanced 911 systems. The FCC did not preempt additional state requirements for voice service (e.g., carrier-of-last resort obligations), but encouraged states to review their existing rules and policies in light of the changes made by the Order. The revised definition is intended to be technologically neutral and to allow entities to provide voice service using either the PSTN or IP networks. ETCs shall be required to offer voice telephony as a standalone service throughout their service area, at rates that are reasonably comparable to urban rates.

Broadband Service Obligation: All high-cost ETCs will have to offer broadband service that meets certain basic performance requirements and to report on related performance measures. The Order does not define “supported areas,” although it appears that competitive ETCs would be required to meet the broadband service obligation in the areas where they win bids to provide such service. This service shall be “reasonably comparable” to the broadband service in urban areas. There are three key requirements for a supported broadband service: (1) Download speeds of 4 Mbps and upload speeds of 1 Mbps; (2) Latency low enough to handle real-time applications such as VoIP; and (3) Usage limits at levels comparable to terrestrial fixed residential broadband service in urban areas; a limit significantly below 10 GB/month would fail this test. In addition, funding recipients must test their broadband networks to show that they meet speed and latency metrics. They must certify and report these results to USAC annually, and be subject to audit.

Reporting: The Order requires all high-cost ETCs (CAF recipients, under the new system) to provide reports to their respective states and the FCC, and modifies existing reporting requirements to reflect the broadband service obligation. All such ETCs will provide the annual information that was previously required (e.g., five year build-out plans; network outages; unfulfilled requests for service), but must now also address broadband service obligations; compliance with tribal engagement requirements; pricing of voice and broadband services; and other specific information relevant for the support that they receive. States may require additional reports.

Compliance: If an ETC fails to meet its public interest obligations or to timely file its certifications or reports, it may suffer reduction of support. The current record retention period is extended from five years to ten years. All ETCs receiving CAF support shall be subject to random compliance audits and other investigations to ensure compliance with program rules and orders.

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