

**STATEMENT OF
CHAIRMAN KEVIN J. MARTIN**

Re: Universal Service Contribution Methodology (WC Docket No. 06-122); Federal-State Joint Board on Universal Service (CC Docket No. 96-45); 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms (CC Docket No. 98-171); Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990 (CC Docket No. 90-571); Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size (CC Docket No. 92-237; NSD File No. L-00-72); Number Resource Optimization (CC Docket No. 99-200); Telephone Number Portability (CC Docket No. 95-116); Truth-in-Billing and Billing Format (CC Docket No. 98-170); IP-Enabled Services (WC Docket No. 04-36)

Maintaining the stability of the universal service contribution system is one of the Commission’s most important responsibilities. We take an interim step today to ensure the stability of the fund by raising the wireless safe harbor and broadening the contribution base to include interconnected VoIP providers. We take these actions because we recognize the changing telecommunications marketplace.

First, for the first time in nearly four years, we raise the mobile wireless safe harbor from 28.5 to 37.1%. We find that, given the tremendous growth of wireless communications, the current safe harbor no longer accurately reflects the extent to which wireless consumers utilize their wireless phones for interstate calls. This is true particularly in light of the increased substitution of wireless for traditional wireline service. Of course, wireless providers will continue to have the option to contribute to the fund based on traffic studies that serve as a proxy for their actual interstate telecommunications service revenues rather than contribute based on the safe harbor.

Second, we require interconnected VoIP providers to contribute to the fund. Like wireless services, consumers are increasingly using interconnected VoIP services as a substitute for traditional wireline service. And, many of these VoIP providers claim that their services are “inherently interstate.” Thus, we could require these providers to pay based on 100% percent of their revenues. Instead, we only require them to contribute based on a safe harbor of 64.9% - the percentage of interstate revenues reported by wireline toll providers. Similar to the options available to wireless providers, interconnected VoIP providers may choose instead to contribute based on their actual interstate revenues or use a traffic study as proxy for these revenues.

As the item recognizes, by requiring interconnected VoIP providers to contribute to the fund, the Commission is furthering the principle of competitive neutrality. This principle of competitive neutrality has guided the Commission’s universal service policies over the past decade. It requires us to ensure that our universal service rules do not unfairly favor nor disfavor one technology over another, or unfairly advantage or

disadvantage one provider over another. Like public safety goals, universal service obligations transcend new technologies and cannot be compromised.

The preservation and advancement of universal service depend on the Commission's ability to respond effectively to the ever-evolving telecommunications marketplace. Today's order recognizes the increasing use of wireless and VoIP services by consumers and adjusts the Commission universal services rules accordingly. Thus, the actions we take today ensure that the contribution base reflects the current market realities. And, at the same time, our actions ensure that universal service contributions remain equitable and nondiscriminatory.

Although today's item should ensure the stability and sufficiency of the universal service support system, it is just an interim step. I still believe that this system needs fundamental reform, and I remain committed to adopting and implementing a numbers-based contribution system. Accordingly, our work in this area is far from complete. I look forward to working with my colleagues to preserve the values of universal service.