

# FCC set to unveil rules for rural broadband fund

October 26 2011, By PETER SVENSSON , AP Technology Writer

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Federal regulators are set to reveal their plan Thursday for an overhaul of the \$8 billion fund that subsidizes phone service in rural areas and for the poor, with the goal of redirecting the money toward broadband expansion.

The [Federal Communications Commission](#) is also preparing to disclose new rules for the byzantine system that governs how [phone](#) companies pay each other for phone calls. It's a system that, virtually everyone in the industry agrees, is outdated and leads to perverse schemes by carriers to stimulate certain kinds of phone traffic.

However, reform of the system has been held up for years by competing interests.

Together, the new rules are set to be the Obama administration's most significant overhaul of [telecommunications](#) regulations. The five-member commission will vote on the rules at a meeting Thursday morning.

The Universal Service Fund was created to ensure that all Americans have access to a basic telephone line. It is supported by a surcharge on long-distance [phone bills](#). The program subsidizes phone service for the poor and pays for [Internet access](#) in schools, libraries and rural health clinics. But more than half the money goes to pay phone companies that provide phone service in rural places where lines are supposedly unprofitable.

John Stephens, [chief financial officer](#) of the country's biggest phone company, AT&T Inc., told investors and analysts last week that "in general, we're very positive to the idea of getting a refresh of those rules."

AT&T and the other big phone companies have put forward their own reform proposal. The FCC's plan is expected to borrow at least some features from it. That plan suggested capping the size of the new fund at \$4.5 billion annually, giving subsidies to only one provider in an area and directing funds toward places where there is no business case for companies to provide service on their own. In addition, it would fund wireless broadband access in remote or rugged areas where wired line construction costs the most.

Policy director Matt Wood at consumer advocacy group Free Press said the phone-company plan had "very little to do with increasing broadband adoption, and everything to do with allowing monopoly local phone providers to reach further into the pockets of consumers."

Meanwhile, small rural phone companies have their own plan, and are apprehensive that the FCC will place limits on how they use their funding and divert money to wireless broadband.

The FCC estimated last year that 9.2 million U.S. households, or about 26 million people, don't have access to wired broadband. Excluding those who can get broadband wirelessly, the number shrinks to 5 million households or 14 million people. That's 4.5 percent of the population.

Telecom consultant Rory Altman at Altman Vilandrie & Co. notes that broadband coverage has spread much faster than [phone service](#) once did, and further funding might not accomplish much.

"What are we trying to solve by funneling more money into this?" he

asked.

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