

FCC unveils rules for rural broadband fund

October 27 2011, By MARCY GORDON , AP Business Writer

Federal regulators have unveiled a plan for overhauling the \$8 billion fund that subsidizes phone service in rural areas and for the poor. It redirects the money toward broadband expansion.

The Federal Communications Commission's plan, adopted Thursday, establishes a new "Connect America Fund" for mobile telephone and broadband in [rural communities](#) and needy areas.

The money will continue to come from a surcharge on consumers' and businesses' monthly [phone bills](#). Rates should stay flat or decline for most consumers, an FCC commissioner said. The size of the fund will be capped at \$4.5 billion annually.

The FCC also approved new rules for the complex system that governs how phone companies pay each other for phone calls.

The changes represent the Obama administration's most significant overhaul of telecommunications regulations.

The administration has identified universal broadband as critical to driving economic development, producing jobs and expanding the reach of cutting-edge medicine and educational opportunities.

Overhaul of the system has been held up for years by competing interests.

The new fund will underwrite the cost of building and operating high-

speed [Internet networks](#) in places that are too sparsely populated to justify costly corporate investments.

[FCC Chairman](#) Julius Genachowski called the action "a momentous step in our efforts to harness the benefits of broadband for every American." It will enhance the U.S. position in a "fiercely competitive" [global economy](#), he said before the 4-0 vote.

The agency estimates that the program will bring high-speed Internet access to about 7 million people living in rural areas over the next six years and will create some 500,000 jobs.

In addition, Genachowski said, changing the system governing how phone companies pay each other for calls will eliminate billions of dollars in "hidden subsidies" in phone bills and put millions back in consumers' pockets.

The current system, virtually everyone in the industry agrees, is outdated and leads to perverse schemes by carriers to stimulate certain kinds of phone traffic.

"I don't expect that overall consumer rates will go up as a result of this" action, Genachowski told reporters after the meeting. The overhaul "will deliver massive benefits to consumers" by expanding broadband capacity, he said.

The Universal Service Fund was created to ensure that all Americans have access to a basic telephone line. 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.

Public Knowledge, a consumer advocacy group, said it was concerned that the new program "will lead to higher prices at a time when the average American is watching every penny."

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