

section 254(c) and that the public interest would not be served by expanding the list of supported services at this time. The Commission agrees with the Joint Board that the current list of supported services strikes the right balance between ensuring the availability of fundamental telecommunications services to all Americans and maintaining a sustainable universal service fund. In its *Recommended Decision*, the Joint Board discussed several specific services and proposals—advanced or high-speed services, unlimited local usage, soft dial tone or warm line services, prepaid calling plans, payphone lines, Braille TTY and two line voice carry over, N11 codes, toll or expanded area service, modifying voice grade access bandwidth, transport costs, rural wireless ETC category, and technical and service quality. The Joint Board was unable to reach agreement, however, on whether to recommend including equal access in the list of core services. The Commission makes no decision regarding equal access at this time and will address it in the context of the *Portability Proceeding*, 68 FR 10429 (March 5, 2003).

A. Advanced or High-Speed Services

3. Consistent with the Joint Board's *Recommended Decision*, the Commission declines to expand the definition of supported services to include advanced or high-speed services at this time. Although the Commission agrees with commenters, such as the National Telecommunications Cooperative (NTCA) and Valor Communications, that broadband services are becoming increasingly important for consumers in all regions of the nation, we also agree with the Joint Board and the vast majority of commenters that high-speed and advanced services currently do not meet the Act's criteria for inclusion on the list of supported services.

4. Like the Joint Board, the Commission recognizes that high-speed and advanced services may enable subscribers to access Internet resources used for educational, public health, or public safety purposes. At this time, however, the Commission does not find that advanced or high-speed services are essential to reaching these resources. The Commission agrees with the Joint Board and most commenters that although advanced and high speed services are useful for educational, public health and public safety purposes, they are not essential for these purposes as set out by section 254(c).

5. Although telecommunications carriers increasingly are deploying

infrastructure capable of providing advanced and high-speed services, the Commission agrees with the Joint Board and commenters that advanced services are not subscribed to by a substantial majority of residential consumers. In fact, the Commission's own data shows that as of December 31, 2002, there were approximately 17.4 million high-speed lines serving residential and small business subscribers, which represents 16 percent of all U.S. households. Additionally, according to another study, only 56.5 percent of all households as of September 2001 had computers and could even benefit from advanced service offerings. Furthermore, the Florida Public Service Commission (PSC) states that there were 18.6 million broadband subscribers at the end of 2002 and, assuming all of these subscribers are residential, this would represent only 17 percent of American households.

6. In addition, comments in response to the *Notice of Proposed Rulemaking*, 68 FR 12020 (March 13, 2003), like those in response to the Joint Board's *Public Notice*, 66 FR 46461 (September 5, 2001), suggest that adding advanced or high-speed services to the definition of supported services would be contrary to the public interest due to the high cost of requiring the deployment of such services. If advanced or high-speed services were added to the list of supported services, it could drastically increase the financial burden placed on carriers and, ultimately, consumers because all eligible telecommunications carriers would be required to offer such services in order to receive support. The Commission agrees with the Joint Board that the public interest would not be served by substantially increasing the support burden by expanding the definition of universal service to include these services.

7. Moreover, the Commission agrees with the Joint Board that adding advanced or high-speed services to the list could jeopardize support currently provided to some carriers. While many small rural carriers have made significant progress in deploying broadband infrastructure, they do not yet offer advanced or high speed services ubiquitously throughout their service area. This would reduce the number of providers eligible for universal service support and might reduce consumer choice in rural and high-cost areas.

8. Although the Commission concludes that advanced or high-speed services do not satisfy the statutory criteria necessary for inclusion in the definition of supported services at this time, the Commission maintains its

commitment to ensuring that appropriate policies are in place to encourage the successful deployment of infrastructure capable of delivering advanced and high-speed services. Indeed, section 254(b) of the Act provides that the Joint Board and the Commission shall base policies for the preservation and advancement of universal service on several principles, including the ability to access advanced telecommunications and information services in all regions of the nation. Accordingly, the Commission continues to support the Commission's prior conclusion that "our universal service policies should not inadvertently create barriers to the provision or access to advanced services, and * * * that our current universal service system does not create such barriers." Thus, even though advanced services are not directly supported by federal universal service, "[Commission] policies do not impede the deployment of modern plant capable of providing access to advanced services." The Commission recognizes that the network is an integrated facility that may be used to provide both supported and non-supported services. The Commission believe that the our policy of not impeding the deployment of plant capable of providing access to advanced or high-speed services is fully consistent with the Congressional goal of ensuring access to advanced telecommunications and information services throughout the nation.

B. Unlimited Local Usage

9. The Commission adopts the Joint Board recommendation that unlimited local usage should not be added to the list of supported services. The Commission agrees with the Joint Board and the vast majority of the commenters that unlimited local usage is not essential to education, public health or public safety. The Commission also agrees with the Joint Board that adding it to the list would not serve the public interest because it could hinder states' ability to require local metered pricing for local service. As the Joint Board noted, states may require or encourage local metered service because it may, for example, encourage subscribership among low-income or low-volume users. Adding a national local usage requirement, however, would preclude this type of experimentation by the states. The Commission agrees with AT&T that states are in a better position to determine whether unlimited local usage offerings are beneficial in particular circumstances. Finally, the Commission note that the Joint Board found the record to be inadequate to determine whether adoption of such a