



June 1, 2017

Nanette S. Edwards, Deputy Exec. Dir.
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201

Dear Ms. Edwards,

CTIA¹ appreciates the opportunity to comment regarding the requirements of the State Telecom Equity in Funding Act and the Office of Regulatory Staff's ("ORS's") report due to the Public Utilities Review Committee ("PURC"). CTIA provides the following input to the ORS on behalf of its member companies, many of which received an inquiry about said report from the ORS via email on March 9, 2017. The ORS's inquiry seeks input on the definition of "need" for South Carolina Universal Service Fund ("SCUSF") support, the appropriate level of distributions from the SCUSF, and how "need" can be standardized and presented to the PURC for each fund recipient.

Defining "Need." The SCUSF should be no larger than the minimum size necessary to achieve statutorily defined universal service goals. Thus, any definition of "need" relative to SCUSF support should be crafted in a manner that ensures that the SCUSF is the minimum size necessary to achieve its goals. Such a definition will ensure that SCUSF goals are achieved without imposing any excess burden on consumers.² In particular, wireless consumers, who are subject to surcharges for federal and state universal service funding, bear this burden acutely. South Carolinians already pay a combined 17.28% in federal and state taxes and fees on their wireless service, including SCUSF surcharges.³ Accordingly, the definition of "need" for SCUSF support, which implicates the size of the fund, will directly impact these consumers. The size of the SCUSF – and indeed, any reforms to the SCUSF – should be made with consumers, and not companies, in mind.⁴

Additionally, the ORS's report should reflect the basic policy principle of competitive neutrality for the SCUSF. Any changes to the SCUSF, including the size of the fund (as impacted by the definition of "need"), must be considered carefully so as not to distort competition within the telecommunications

¹ CTIA – The Wireless Association® ("CTIA") (www.ctia.org) represents the U.S. wireless communications industry and the companies throughout the mobile ecosystem that enable Americans to lead a 21st century connected life. The association's members include wireless carriers, device manufacturers, suppliers as well as apps and content companies. CTIA vigorously advocates at all levels of government for policies that foster continued wireless innovation and investment. The association also coordinates the industry's voluntary best practices, hosts educational events that promote the wireless industry and co-produces the industry's leading wireless tradeshow. CTIA was founded in 1984 and is based in Washington, D.C.

² CTIA notes that the ORS's inquiry seems to assume that the SCUSF is necessary to meet the state's universal service goals, a point CTIA does not concede. Indeed, in a previous proceeding on the subject of the SCUSF, CTIA's expert witness testified that telephone penetration in South Carolina is no different than in neighboring states with substantially smaller, or no, state USF funds. See Responsive Testimony of Don Price on Behalf of CTIA – The Wireless Association®, Docket 2015-290-C (October 13, 2015) ("Price Testimony"), at 26-27.

³ Tax Foundation Fiscal Fact, *Wireless Tax Burdens Rise for the Second Straight Year in 2016*. Publication no. 527. Scott Mackey & Joseph Henchman, Sept. 2016.

⁴ Along those lines, CTIA believes that the ORS's report should note that wireless carriers should be eligible for Lifeline funding from the SCUSF. This change to the fund would better support low-income consumers, who rely disproportionately on wireless for their telecommunications needs, and would reflect these consumers' contributions into the fund.



marketplace. SCUSF support should not determine or influence "winners and losers" amongst telecommunications providers. As such, the definition of "need" should not include support for areas already served by an unsubsidized competitor.⁵ A vibrant, competitive telecommunications marketplace operates to the benefit of consumers, and is consistent with the goal of universal service.⁶

The Appropriate Level of Distributions. Because wireless carriers are not eligible to receive SCUSF support,⁷ properly defining "need" so that the SCUSF is appropriately sized is of greater concern to wireless carriers than are the levels of distributions. Nevertheless, any definition of "need" lacks value without mechanisms to ensure that SCUSF funding supports only that need. As previously noted by CTIA, it is important that any changes to the SCUSF promote transparency and accountability for the fund.⁸ All consumers contributing to the fund deserve assurance that their contributions are spent in the most efficient manner possible. To accomplish this goal, recipient companies should be required to produce full data and information regarding their use of SCUSF support and the level of support they require. The appropriate level of distribution is the level that reflects the definition of "need" expressed herein, and is set based on a review of actual data. Establishing transparency in the fund will help ensure that the actual use of funds appropriately reflects the theoretical principle of need.

CTIA encourages the ORS to include in its report a definition of need and a recommendation regarding distributions levels that will minimize the economic burden on South Carolina's consumers, promote transparency and accountability to its taxpayers, and protect competition within the telecommunications marketplace to the benefit of all.

Respectfully submitted,

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⁵ Wireless service, which South Carolinians overwhelmingly prefer, is available in nearly all of South Carolina. As of mid-2014, 99.6% of South Carolinians had access to 3G or better wireless service, with 96% able to choose such service from three or more providers. National Broadband Map (June 30, 2014 data), available at <https://www.broadbandmap.gov/summarize/state/south-carolina>.

⁶ *Id.*

⁷ See fn. 4 *supra*.

⁸ Price Testimony, at 28-29.