

Federal Communications Commission (FCC) Chairman Julius Genachowski will propose on Monday to migrate most government subsidies for traditional telephone service instead fund high-speed Internet.

Genachowski will lay out his agenda for reforming the nearly \$8 billion Universal Service program in a presentation at the Information Technology and Innovation Foundation.

"At the end of this transition, we would no longer subsidize telephone networks; instead we would support broadband," Genachowski will say in a speech on Monday, according to prepared remarks. "As we do this, we will make sure that all Americans continue to have access to voice service and can make calls from their homes."

The speech precedes the FCC's monthly meeting on Tuesday when the commissioners are expected to move on a major pillar of this reform effort.

Part of Genachowski's pitch surrounds reforms aimed at fiscal restraint. Or, in his words, making USF "less wasteful, more efficient, more accountable, and more fiscally responsible."

He will pledge to prevent the fund from growing into a government drain, noting that the plan includes a focus on "constraining the size of the fund."

Citing areas the program already eludes logic, he will point to flaws in the existing system, including that "it can cost 10 times more to call a friend a few towns over than to call someone on the other side of the world."

He will also describe the ways that phone companies sometimes game the system by creating phantom traffic and siphon extra dollars through so-called traffic pumping.

With all the nods to fiscal austerity, Genachowski will not shy away from touting the fund as a crucial social service, describing the need to connect all Americans to modern technologies. "Without a modernized USF, these people and millions like them will continue to be left behind," he says.

Opponents of this transition include rural phone companies who do not like the idea of losing a government subsidy. Though the plan is to phase out traditional phone subsidies, funding for voice services will not halt, including because many users make calls over the Internet.

Genachowski does not hesitate to give shout-outs to two rural allies on the Hill, who also have acknowledged a need to reform the fund. That includes Reps. Lee Terry (R-Neb.), the vice chairman of the telecom subcommittee, and Senate Commerce Chairman Jay Rockefeller (D-W.Va).

Terry, for instance, has noted that USF "is broken," as Genachowski quotes in his speech. Terry drafted a bill last year with former Rep. Rick Boucher (R-Va.) to begin overhauling the fund.

Source:<http://thehill.com/blogs/hillicon-valley/technology/142389-fcc-chairman-to-transition-billions-from-phone-fund-to-internet>

