

Computer World

Lawmakers introduce bill to reform telephone subsidies

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Two U.S. lawmakers have introduced a bill that would overhaul the giant Universal Service Fund managed by the U.S. Federal Communications Commission, limiting the areas where the fund can provide telephone subsidies while including broadband as a service that can be covered.

Representatives Rick Boucher, a Virginia Democrat, and Lee Terry, a Nebraska Republican, introduced the Universal Service Reform Act on Thursday. The bill is similar to ones that failed to become law in past sessions of Congress.

The bill may enjoy increased attention this year, however. The FCC, in its national broadband plan released in March, called for USF reform and for the fund to cover broadband service in rural and poor areas. Many lawmakers and officials in the telecom industry have complained that the USF, with an annual budget of about US\$7 billion, is broken and needs to be fixed.

"The Universal Service Fund helps provide essential communications services to millions of customers in rural areas, and the legislation we introduced today will assist with the deployment of broadband, especially in rural areas," Boucher, chairman of the House Subcommittee on Communications, Technology, and the Internet, said in a statement.

The bill would allow telecom carriers to use USF money for broadband deployment. It would also require the FCC to reduce or eliminate USF spending in areas where a second telecom carrier offers voice and broadband services to at least 75 percent of households.

The legislation would also direct the FCC to create a competitive bidding process for mobile carriers that want USF money.

The bill would expand the carriers paying USF taxes to include VoIP (voice over Internet Protocol) providers and broadband providers. Currently, USF is supported by a tax on long-distance telephone service, but lawmakers have raised concerns that the number of U.S. residents using traditional long-distance service is declining as they move to VoIP and other technologies.

The bill would also direct the FCC to address a long-standing dispute over intercarrier compensation, and it would prohibit so-called traffic pumping, when small carriers offer free services such as conference calling or adult chat lines and take advantage of high intercarrier compensation charges they are allowed.

Several telecom carriers and trade groups expressed support for the bill. The current 15 percent tax on phone bills is "not a sustainable path," said Peter Davidson, Verizon's senior vice president of federal government relations, in a statement.

"We congratulate Chairman Boucher and Representative Terry for their leadership in crafting legislation to update universal service for a broadband era," he added. "They recognize the universal service program was designed for a different time and that with consumers shouldering its ever-increasing costs, reform is overdue."

The Independent Telephone and Telecommunications Alliance (ITTA) also said it supports the bill. "The federal Universal Service Fund is a successful public/private partnership that has delivered nearly ubiquitous voice service to all Americans," Matthew Dosch, ITTA chairman and senior vice president of Comporium Communications, said in a statement. "The USF, however, must be updated to accommodate the growth of the Internet and broadband services in order to reflect evolving public policy that recognizes the economic and social benefits that widespread broadband offers to all Americans."

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