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# PUC votes to reduce fee that subsidizes rural service

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In a deal touted as a "consumer victory" by cable and cellphone companies -- but eyed with deep skepticism by the state's leading consumer organization -- state regulators have voted to reduce phone fees but also to allow a near doubling of basic rates charged in some rural areas.

The 3-0 vote Friday by the Texas Public Utility Commission relates to a special fund created by the Texas Legislature in 1999 to finance phone service for difficult-to-reach rural areas.

It's called the Universal Service Fund, and it's supported in part by fees of about 4.4 percent on residential and business lines and on cellphone service. Money from the fund goes to big telephone companies such as AT&T to subsidize rural service.

Under the PUC order, those fees will go down by about 1 percentage point over four years, and as a result the fund's subsidies will go from \$395 million annually to \$251 million, according to the PUC.

The problem, said Tim Morstad of Texas AARP, is that the PUC also authorized AT&T, Verizon and two other major carriers to increase basic home-service rates to offset the lower subsidy.

Morstad also noted that under deregulation, companies charge whatever they want for other sorts of service. That means there's no guarantee that phone customers will see any long-term savings from the reduction in Universal Service Fund fees.

"While it's good that we have a decrease in fees and a decrease in a subsidy, let's not forget that the agreement also paves the way for future telephone rate increases," Morstad said.

AT&T spokesman Kerry Hibbs said that the bills of most AT&T customers should go down. But Hibbs acknowledged that basic service rates for the company's rural customers could nearly double under the PUC order.

Hibbs said, those rates are about \$8.15 per month but could increase to \$16.15 monthly over four years.

But Hibbs stressed that the company has not decided whether it will increase those rates -- and if it does by how much. The company serves about 740,000 rural customers in Texas.

The PUC action is a response to a 2005 state law that directed the agency to take a fresh look at telephone-company subsidies. Several major phone and cable companies, and a consumer watchdog agency, signed off on the PUC action ahead of time.

Cable companies had supported a reduction or elimination of the Universal Service Fund, saying it was giving unwarranted subsidies to big telephone companies.

Bill Peacock, a vice president for the conservative Texas Public Policy Foundation, said the PUC has taken a step in the right direction.

"While the USF helps to keep phone service in rural Texas at reasonable levels, deregulation of the market and the increasing urbanization of our state have decreased the need for subsidies," he said.