



AMERICANS *for* TAX REFORM

Grover G. Norquist
President

April 14, 2008

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: CC 96-45 and WC 05-337

Dear Secretary Dortch:

On behalf of all American consumers and Taxpayers, who want less costly and wasteful government, Americans for Tax Reform are writing today to support the proposal for a reverse auction to control spending in the "high cost" portion of the Universal Service Fund (USF). The current USF is a revolving multi-billion dollar slush fund, and an example of bloated big government with a heavy dose of entitlement politics.

The USF's high cost program in particular has been a monument to inefficiency and waste and has cost consumers millions of dollars in support payments. Short of the USF's elimination, the current proposals to contain the costs of the high cost portion of the USF by instituting reverse auctions have merit.

The Universal Service Fund program's fast-growing, aptly named "High Cost" program, which involves direct subsidies to carriers, is out of control with no accountability. In the current landscape, the best course of action for the federal government is to allow the free market to do its work, to the benefit of consumers. We believe the reverse auction model will create incentives to invest and compete in rural communities. Stronger competition would counter the USF's current practice of redistributing consumer payments to finance and subsidize wasteful carriers. Reverse auctions will benefit all taxpayers.

There have been well-documented reports showing that many rural telephone companies have become entirely dependent on USF subsidies. These subsidies are more in the category of corporate welfare than consumer welfare. According to news reports, 95 percent of one Texas telephone company's revenue came from universal service subsidies. In an outrage that cries out for reform, another carrier paid out dividend checks to customers that averaged \$375 – that was more than the same consumers paid for telephone service that year.

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In contrast, reverse auctions have saved taxpayers millions of dollars in the last few years. Rhode Island Governor Donald Carcieri credits “reverse auctions” for tax savings, saying that it has brought increased competition to the state’s purchasing system. In Connecticut, this January the state reported more than \$20 million in savings as a result of a reverse auction on energy purchases. Just as competitive bidding has reduced the costs of obtaining energy and other goods and services by state governments, so too, can such competitive bidding through a well-designed system of reverse auctions bring down the costs of providing dependable telecom services to rural areas.

Among the first federal users of the reverse auction was the Army Communications-Electronics Command (CECOM). CECOM reports saving between 15 percent and 50 percent off prices on the federal supply schedule when using reverse auctions.

These examples demonstrate what happens when government allows the free market to do its job: taxpayers benefit, because government has more efficient spending.

We urge the FCC to shift away from the current wasteful system, and embrace reverse auctions.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Norquist", written in a cursive style.

Grover Norquist
Americans for Tax Reform

Cc: All members, Committee on Commerce, Science and Transportation