

March 5, 2012

Georgia House of Representatives

Dear Member,

I'm writing to commend you for taking up reform and the phase-out of Georgia's Universal Access Fund (UAF), which will clearly benefit Georgia consumers and the Georgia economy.

The Institute for Policy Innovation (IPI) is a 25 year-old free market policy organization. IPI does not lobby and does not engage in political activity. We are, however, free to analyze legislation and share our input with you, and we believe phasing out the UAF and ending its market-distorting subsidies will benefit Georgia consumers by no longer shielding certain subsidy recipients from market competition and from being forced to make appropriate levels of capital investment.

In our view, HB 855 phases out the UAF in a responsible manner by first capping the subsidy at a level reflecting the intention of 2010's HB 168. Ultimately HB 855 phases out the UAF entirely, ending a subsidy which is no longer defensible and which actually works against the interests of Georgia consumers and capital investment in Georgia.

Across the nation, IPI researchers have observed the disturbing pattern of telco providers using these subsidies as a substitute for revenue earned through making the kind of capital investment necessary in what is today a highly competitive industry. Furthermore, having a subsidized competitor in a given market obviously discourages non-subsidized competitors from entering that market. This works against the interests of Georgia consumers who are deprived of the benefits of competition, and entrenches the subsidized provider on a type of corporate welfare that is inappropriate in today's fiscal climate and in today's competitive marketplace.

Telecom providers should not be spared the burden of capital investment. It is precisely capital investment that results in the building of plant and purchase of equipment that leads to new job creation.

HB 855 leaves in place 2010's Access Transition Fund, and of course the Federal Communications Commission continues to maintain a \$4 billion Universal Service Fund.

We applaud your effort to bring the benefits of true competition to all Georgia consumers and to the Georgia economy through these outdated subsidies, and IPI will be a willing resource to you as you work through these issues.

Sincerely,



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