United States Senate

WASHINGTON, DC 20510

November 1, 2013

The Honorable Tom Wheeler
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Wheeler:

We commend the Federal Communications Commission (FCC) for recently making changes to its 2011 Universal Service Fund (USF) reform order to begin the immediate deployment of broadband to rural areas served by price cap companies. Additionally, we appreciate the FCC's decision to temporarily relieve the impacts of Quantile Regression Analysis (QRA) on small rate-of-return carriers. However, we remain concerned the reform order is limiting the ability of small rate-of-return carriers to provide rural consumers with the broadband service they need to compete in today's global economy.

The 2011 USF reform order's lack of predictability is resulting in declining private sector investment in hard-to-reach rural areas, which threatens the long-standing requirements that consumers in rural and high cost areas should have access to telecommunications and information services that are reasonably comparable to those services provided in urban areas. We urge the Commission to take immediate steps to re-establish predictability, sufficiency and transparency in the USF program so that these small businesses can resume critical investments in rural broadband. At the same time, we believe this process should neither upset nor slow implementation of Phase II of the Connect America Fund for consumers in areas served by larger carriers.

The Universal Service Fund provides small rate-of-return regulated telecom carriers with support to keep consumer rates affordable in high cost areas. These small companies use a limited number of public and private loan programs to make long-term capital investments to expand the reach and effectiveness of broadband in hard-to-serve rural areas. Both potential borrowers and lenders have indicated hesitation in moving forward with loans for broadband infrastructure improvements due to the uncertainties created by the reform order.

One of the main causes of uncertainty is the reform order's Quantile Regression Analysis (QRA) approach to providing high-cost support for rural companies. A recent analysis by former FCC Chief Economist Simon Wilkie underscores this uncertainty, noting that the QRA caps and redistributes USF support in arbitrary and unpredictable ways, fails to provide incentives for broadband deployment, and generates regulatory uncertainty that is discouraging investment. While we appreciate the FCC's recent steps to temporarily relieve the impacts of the QRA approach, more must be done to resolve the lingering uncertainty it creates.

The benefits to health, education and economic development from robust broadband infrastructure will be delayed or denied for many rural Americans unless the Commission finds a way to re-establish predictability and transparency in the USF program through re-examination of the QRA approach and other common-sense steps that enable rural carriers to respond to consumer demand for broadband. We appreciate your attention to this matter, and we look forward to your response.

Sincerely,

Jon Tester
United States Senator

John Barrasso, M.D.
United States Senator

Mark Pryor
United States Senator

Kelly Ayotte
United States Senator

Mark Begich
United States Senator

Deb Fischer
United States Senator

Max Baucus
United States Senator

Chuck Grassley
United States Senator

Tim Johnson
United States Senator

James Inhofe
United States Senator

Robert P. Casey, Jr.
United States Senator

Pat Roberts
United States Senator

Mark Udall
United States Senator

Michael Enzi
United States Senator

Jeanne Shaheen
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Mike Crapo
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Jeff Merkley
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Lisa Murkowski
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Michael Bennet
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Saxby Chambliss
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Heidi Heitkamp
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Johnny Isakson
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James Risch
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Jerry Moran
Jerry Moran
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John Hoeven
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John Boozman