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**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-1701  
June 6, 2012

COMMITTEE ON  
ENERGY AND COMMERCE  
SUBCOMMITTEES:  
CHAIRMAN  
ENERGY AND POWER  
HEALTH  
ENVIRONMENT AND ECONOMY

Honorable Julius Genachowski  
Chairman  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

*WCB*  
*USF/ICC*  
*1753*

Dear Chairman Genachowski:

The Federal Communications Commission deserves credit for tackling many difficult reform issues and for seeking to put the Universal Service Fund (USF) and intercarrier compensation (ICC) programs on a more sustainable path. Reform was needed, and some of the steps taken by the FCC can help. However, the job of building robust, sustainable broadband networks in rural areas is not finished. I am concerned that the agency is considering a number of additional ideas in a rulemaking that will only perpetuate regulatory uncertainty and, if pursued further, will lead to an operating environment in which providers will be unable to sustain operations and rural consumers and communities will ultimately lose out. For instance, in addition to significant cuts in access revenues already approved, the FCC is now considering whether to expand the cuts further – before Round 1 has even been launched, let alone evaluated for its ramifications on rural consumers.

The hundreds of communications providers that are offering state-of-the-art services throughout significant portions of our congressional districts are a major source of jobs. They are also oftentimes the driving force behind the economic benefits that individuals and businesses in rural areas enjoy today. These companies evolved to provide communications services in areas where others viewed it as uneconomical to do so. The USF and ICC cost recovery mechanisms, along with Rural Utilities Service (RUS) financing, have been instrumental in their ability to achieve this success, and these cost recovery mechanisms will be critical in fulfilling the opportunities of the future as well.

I am concerned that the FCC has set a stage of limited vision that has all but drawn out of the picture communications providers serving rural consumers. I believe these providers' continued efforts to invest in infrastructure are crucial to small businesses in creating jobs in rural America. Moreover, I view their work as critical in ensuring that rural Americans are not left off the broadband super highway. As you know, studies suggest that broadband allows businesses and individuals in rural America to live locally, while competing globally in an online environment. That's why it is so important to preserve the benefits of reform while ensuring that additional regulatory reforms do not perpetuate uncertainty, create unacceptable "regulatory overhang" or otherwise undermine the efforts of rural carriers to invest in their networks and provide sustainable broadband services in wide swaths of rural America. Therefore, I request that the FCC, at a minimum, allow the rural telecommunications industry sufficient time to adapt to the recent reforms before undertaking further substantial changes in the near future.

Sincerely,



Ed Whitfield  
Member of Congress

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## FEDERAL COMMUNICATIONS COMMISSION

August 15, 2012

JULIUS GENACHOWSKI  
CHAIRMAN

The Honorable Ed Whitfield  
U.S. House of Representatives  
2368 Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman Whitfield:

Thank you for your letter regarding the effect of the Commission's Universal Service Fund (USF) reforms. I want to assure you that the Commission will continue to work with all stakeholders, including smaller rate-of-return carriers, throughout the reform process. Your letter will be included in the record of the proceeding and considered by the Commission.

As you indicate, the Commission's unanimous overhaul of the Universal Service program focused on three key goals: delivering broadband to the millions of unserved Americans, requiring fiscal responsibility and accountability in USF spending to ensure the long-term sustainability of the Fund, and providing transition periods that recognize business realities.

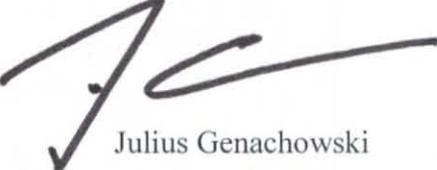
These reforms will put America on the path to universal broadband and advanced mobile coverage – critical steps to create new jobs in rural America and across the nation. In particular, the creation of the Connect America Fund (CAF) will accelerate broadband build-out to the 19 million Americans who currently have no access to robust broadband infrastructure. This will create jobs and economic opportunity for small and large businesses in rural America, as well as construction workers and salespeople. Increased broadband availability in rural areas will also help schools and teachers and provide telemedicine opportunities for doctors and health care providers.

The Commission's implementation of the *USF/ICC Transformation Order* continues to be guided by these principles, including making adjustments to the *Order* as appropriate. For instance, on April 25, 2012, the Commission extended the transition for originating intercarrier compensation payments, addressing a concern raised by a number of smaller carriers. Likewise, in the Wireline Competition Bureau's April *Benchmarks Order*, the Bureau revised the initially proposed high-cost loop support benchmark categories to respond to concerns raised by smaller carriers. The revised methodology takes recent investment into consideration; it accounts for several additional drivers of cost in comparing spending between carriers; it extends the transition period to give carriers more time to adjust; and it provides a streamlined process to address any concerns about the accuracy of carriers' data. The Commission has also extended a number of reporting deadlines for smaller carriers.

Even as we continue to make necessary adjustments, in order to extend broadband to unserved rural communities while ensuring fiscal responsibility it is important to keep moving

forward with implementation of the Commission's reforms. As we do so, the Commission will continue to run a fair, open process in which the valid concerns of stakeholders are addressed – working closely with affected carriers to ensure that residents of the nation's rural and high-cost areas receive the quality voice and broadband services that all Americans need. I appreciate your interest in this very important matter. Please let me know if I can be of any further assistance.

Sincerely,



Julius Genachowski