

United States Senate  
WASHINGTON, DC 20510

November 1, 2013

**1115**

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.

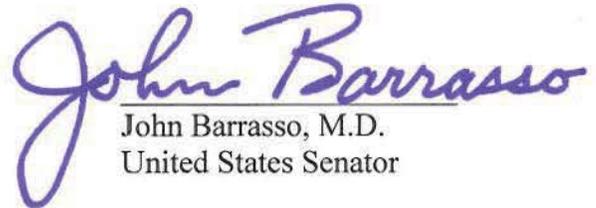
One of the main causes of uncertainty is the reform order's Quantile Regression Analysis (QRA) approach to providing high-cost support for rural companies. A recent analysis by former FCC Chief Economist Simon Wilkie underscores this uncertainty, noting that the QRA caps and redistributes USF support 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.

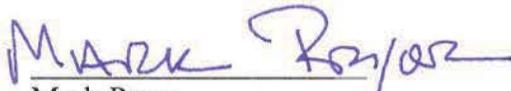
Sincerely,



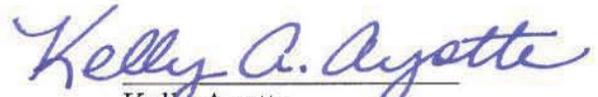
Jon Tester  
United States Senator



John Barrasso, M.D.  
United States Senator



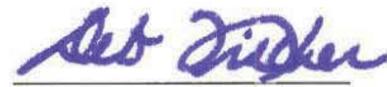
Mark Pryor  
United States Senator



Kelly Ayotte  
United States Senator



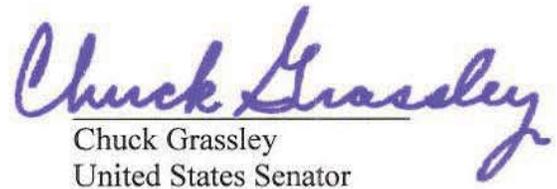
Mark Begich  
United States Senator



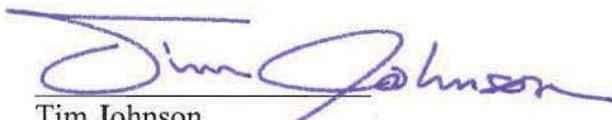
Deb Fischer  
United States Senator



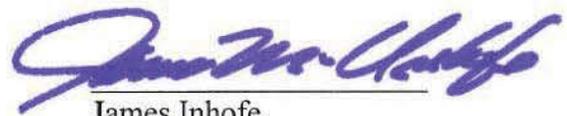
Max Baucus  
United States Senator



Chuck Grassley  
United States Senator



Tim Johnson  
United States Senator



James Inhofe  
United States Senator



Robert P. Casey, Jr.  
United States Senator



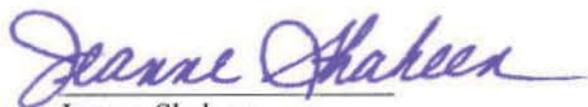
Pat Roberts  
United States Senator



Mark Udall  
United States Senator



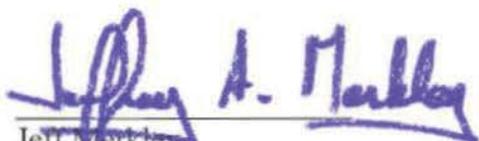
Michael Enzi  
United States Senator



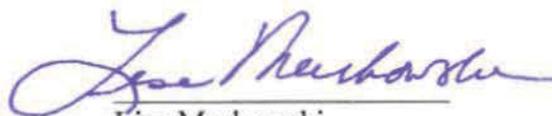
Jeanne Shaheen  
United States Senator



Mike Crapo  
United States Senator



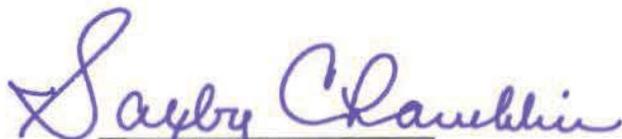
Jeff Merkley  
United States Senator



Lisa Murkowski  
United States Senator



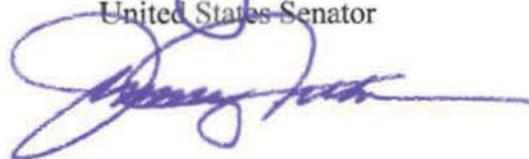
Michael Bennet  
United States Senator



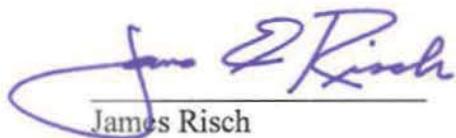
Saxby Chambliss  
United States Senator



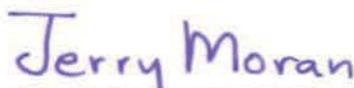
Heidi Heitkamp  
United States Senator



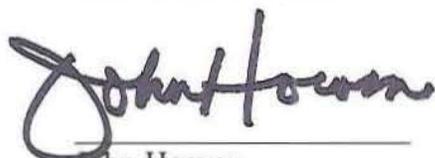
Johnny Isakson  
United States Senator



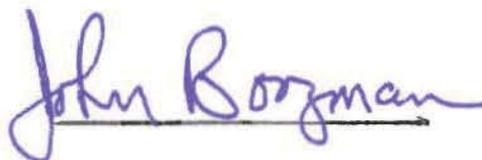
James Risch  
United States Senator



Jerry Moran  
United States Senator



John Hoeven  
United States Senator





OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Kelly Ayotte  
United States Senate  
188 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Ayotte:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As I have made clear since the day I arrived at the Commission, one of the core elements of communications policy that must guide the work of the FCC is the critical need for all Americans to have access to high-speed broadband networks. Access denied is opportunity denied. To that end, I am a firm believer in the importance of universal service, and I agree that the Commission must make timely decisions in order to provide regulatory certainty and create incentives to further efficient investment in broadband networks.

My colleagues and predecessors at the Commission worked hard to develop the landmark Universal Service Fund (USF) reforms adopted in 2011. The work to implement the reforms to date has included the steps you note to temporarily relieve the impacts of the QRA benchmarks on small rate-of-return carriers. At the first Open Meeting that I held as Chairman last week, the Wireline and Wireless Bureaus and the Office of Native Affairs and Policy provided the Commission with a status update on USF reform implementation. I was impressed with the work they have done to get broadband to millions of people for the first time, but I know much work remains.

The Commission has unanimously adopted a vision for a broadband-focused Universal Service Fund. We must of course be open to modifications to the reforms if it is clear that particular rules are not serving their intended purpose. Commissioner Clyburn said it best, "We should remain open to pursuing course corrections where necessary." Where we are making progress we will continue moving full steam ahead. Where the reforms are not achieving their intended goals, we will make changes based on sound data.

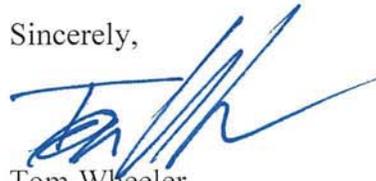
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Page 2—The Honorable Kelly Ayotte

well as other components of the Fund – and to working with stakeholders including rural carriers and consumers, to ensure that all Americans have access to robust voice and broadband services.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable John Barrasso  
United States Senate  
307 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Barrasso:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

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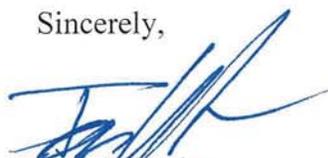
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Page 2—The Honorable John Barrasso

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Sincerely,



Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Max S. Baucus  
United States Senate  
511 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Baucus:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As I have made clear since the day I arrived at the Commission, one of the core elements of communications policy that must guide the work of the FCC is the critical need for all Americans to have access to high-speed broadband networks. Access denied is opportunity denied. To that end, I am a firm believer in the importance of universal service, and I agree that the Commission must make timely decisions in order to provide regulatory certainty and create incentives to further efficient investment in broadband networks.

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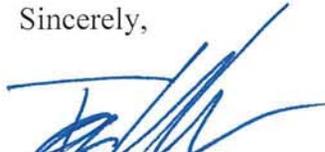
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Page 2—The Honorable Max S. Baucus

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Sincerely,



Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Mark Begich  
United States Senate  
144 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Begich:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

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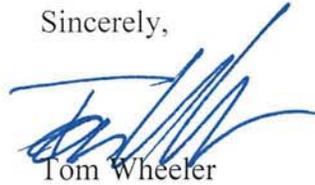
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Sincerely,

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Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Michael Bennet  
United States Senate  
702 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Bennet:

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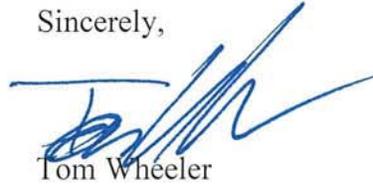
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Page 2—The Honorable Michael Bennet

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Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable John Boozman  
United States Senate  
320 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Boozman:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

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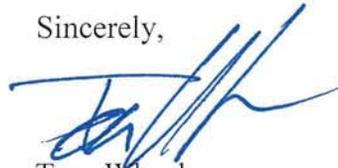
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Page 2—The Honorable John Boozman

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Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Bob Casey, Jr.  
United States Senate  
393 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Casey:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

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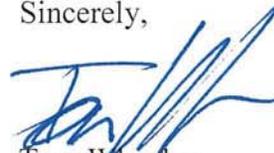
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Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Saxby Chambliss  
United States Senate  
416 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Chambliss:

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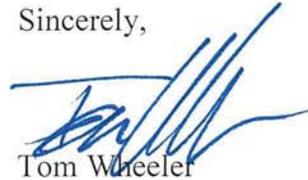
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Page 2—The Honorable Saxby Chambliss

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OFFICE OF  
THE CHAIRMAN

November 20, 2013

The Honorable Michael D. Crapo  
United States Senate  
239 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Crapo:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As I have made clear since the day I arrived at the Commission, one of the core elements of communications policy that must guide the work of the FCC is the critical need for all Americans to have access to high-speed broadband networks. Access denied is opportunity denied. To that end, I am a firm believer in the importance of universal service, and I agree that the Commission must make timely decisions in order to provide regulatory certainty and create incentives to further efficient investment in broadband networks.

My colleagues and predecessors at the Commission worked hard to develop the landmark Universal Service Fund (USF) reforms adopted in 2011. The work to implement the reforms to date has included the steps you note to temporarily relieve the impacts of the QRA benchmarks on small rate-of-return carriers. At the first Open Meeting that I held as Chairman last week, the Wireline and Wireless Bureaus and the Office of Native Affairs and Policy provided the Commission with a status update on USF reform implementation. I was impressed with the work they have done to get broadband to millions of people for the first time, but I know much work remains.

The Commission has unanimously adopted a vision for a broadband-focused Universal Service Fund. We must of course be open to modifications to the reforms if it is clear that particular rules are not serving their intended purpose. Commissioner Clyburn said it best, "We should remain open to pursuing course corrections where necessary." Where we are making progress we will continue moving full steam ahead. Where the reforms are not achieving their intended goals, we will make changes based on sound data.

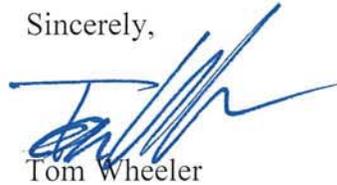
Assuring that the opportunities of the new network extend to all Americans is one of the principal challenges we face at the FCC. We exist at an important moment when the USF is evolving to support 21<sup>st</sup> century services. I know I speak for all my colleagues in saying we look forward to continuing the work of reforming and modernizing the USF high-cost program – as

Page 2—The Honorable Michael D. Crapo

well as other components of the Fund – and to working with stakeholders including rural carriers and consumers, to ensure that all Americans have access to robust voice and broadband services.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler", with a stylized flourish extending to the right.

Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

November 20, 2013

The Honorable Mike Enzi  
United States Senate  
379A Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Enzi:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As I have made clear since the day I arrived at the Commission, one of the core elements of communications policy that must guide the work of the FCC is the critical need for all Americans to have access to high-speed broadband networks. Access denied is opportunity denied. To that end, I am a firm believer in the importance of universal service, and I agree that the Commission must make timely decisions in order to provide regulatory certainty and create incentives to further efficient investment in broadband networks.

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Page 2—The Honorable Mike Enzi

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Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Deb Fischer  
United States Senate  
383 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Fischer:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As I have made clear since the day I arrived at the Commission, one of the core elements of communications policy that must guide the work of the FCC is the critical need for all Americans to have access to high-speed broadband networks. Access denied is opportunity denied. To that end, I am a firm believer in the importance of universal service, and I agree that the Commission must make timely decisions in order to provide regulatory certainty and create incentives to further efficient investment in broadband networks.

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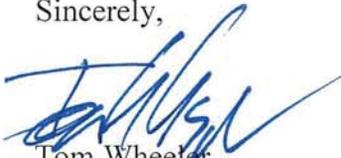
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Page 2—The Honorable Deb Fischer

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Sincerely,



Tom Wheeler



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

November 20, 2013

The Honorable Charles E. Grassley  
United States Senate  
135 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Grassley:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. We appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

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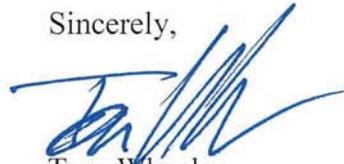
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Page 2—The Honorable Charles E. Grassley

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Tom Wheeler