

Congress of the United States
Washington, DC 20515

October 31, 2013

The Honorable Mignon Clyburn
Acting Chairwoman
Federal Communications Commission
445 12th St., SW
Washington, DC 20554

Dear Chairwoman Clyburn,

We commend the Commission for recently making a number of changes to its 2011 Universal Service Fund (USF) reform order to begin the immediate deployment of broadband to unserved consumers in rural areas served by price cap companies. However, we are deeply concerned the reform order is undermining the ability of small rate-of-return regulated telecom carriers, serving more than 40% of the nation's land mass, to provide rural consumers with the broadband service they need to compete in today's global economy. Instead, the reform order is resulting in declining private sector investment and thus failing to achieve the purposes required by Congress in the Communications Act for "access to communications services reasonably comparable in price and quality to those available 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, of which many are minority or tribally owned, can resume critical investments in rural broadband. At the same time, this process should neither upset nor slow progress on 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 for ongoing operations and to keep consumer rates affordable in high cost areas. These small companies, in turn, 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 several of these institutions 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 and resultant declining investment 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 then redistributes USF support in arbitrary and unpredictable ways, fails to provide incentives for broadband deployment, and actually generates the regulatory uncertainty that is discouraging investment. While the FCC has taken some steps recently to relieve temporarily 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 postponed or denied for many rural Americans unless the Commission finds a way to re-establish predictability, sufficiency 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. If not addressed and recalibrated soon,

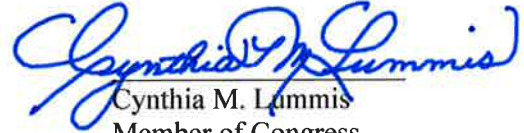
consistent with the core statutory mandate from Congress to the Commission, the reform order will have profound and long-lasting ill effects on rural communities.

Thank you for your service on the Commission and for considering our views. We look forward to your response.

Sincerely,



Stevan Pearce
Member of Congress



Cynthia M. Lummis
Member of Congress



Tom Cotton
Member of Congress



Don Young
Member of Congress



Adrian Smith
Member of Congress



Kevin Cramer
Member of Congress



Scott Tipton
Member of Congress



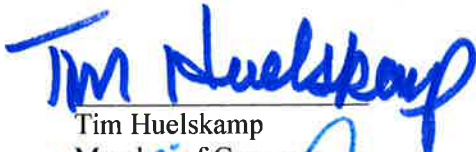
Rob Bishop
Member of Congress



Kristi Noem
Member of Congress



Doc Hastings
Member of Congress



Tim Huelskamp
Member of Congress



K. Michael Conaway
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Mike Pompeo
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