United States Senate
WASHINGTON, DC 20510

October 24, 2013

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

Dear Chairwoman Clyburn:

We write to express our concern that the 2011 Universal Service Fund (USF) reform order (2011 Order) is undermining the ability of small rate-of-return telecommunications carriers to provide rural consumers across Wisconsin with the broadband service they need to compete in today's global economy.

First, we believe that the government should have a limited role in the broadband economy. We therefore appreciate the Commission's recognition that reforms were needed to ensure small rate-of-return telecom carriers, who serve more than 40 percent of the nation's land mass, have the support they need to keep consumer raters affordable in high cost areas. However, we are deeply concerned that the uncertainty resulting from the reform order is discouraging rate-of-return carriers from continuing to make private sector investments. We urge the Commission to take immediate steps to reestablish predictability, sufficiency, and transparency in the USF program so that these small businesses can resume investments in rural broadband.

One of the main causes of uncertainty and resultant decline in investment is the 2011 Order's "Quantile Regression Analysis" (QRA) approach to providing high-cost support for small telecom companies across Wisconsin. As you know, the QRA is not designed to *save* money. Instead, the QRA is a statistical methodology intended to identify inefficient companies and redistribute support to presumably more efficient companies.

In principle, the goal of trying to build out rural broadband as efficiently and quickly as possible is laudable. In practice, the QRA's model is less about efficiency and more about companies' historical costs. It also injects uncertainty by basing its model – by the FCC's own admission – on outdated data. A company that makes an investment today will not recover its expenses until years later. And yet, these small businesses have no way of knowing the benchmarks the agency will set for 2014, 2015, or into the future. Since companies spending in the 90th percentile are considered by the QRA analysis as "inefficient" and face losing their FCC support, a rational company, afraid of being inaccurately portrayed as inefficient, will cut investments for fear that making such investments may put them in the 90th percentile. A Wisconsin survey demonstrated just that, finding that broadband investments in the state have declined by more than 50 percent since the 2011 Order.

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. The result of this is the same amount of money is collected for USF support, but less is effectively distributed.

While the FCC took encouraging steps to improve the QRA in February, we believe more must be done to resolve the lingering uncertainty it creates. We cannot afford to postpone or deny access to robust broadband infrastructure for Wisconsinites across our state. Thank you for your consideration of our views and we look forward to your response.

Sincerely,

Ron Johnson
United States Senator

Tammy Baldwin
United States Senator

Paul Ryan
United States Representative

Mark Pocan
United States Representative

Ron Kind
United States Representative

Gwen Moore
United States Representative

Jim Sensenbrenner
United States Representative

Tom Petri
United States Representative

Sean Duffy
United States Representative

Reid Ribble
United States Representative

cc: Commissioner Rosenworcel
Commissioner Pai