FEDERAL COMMUNICATIONS COMMISSION

JULIUS GENACHOWSKI
CHAIRMAN

August 15, 2012

The Honorable Cory Gardner
U.S. House of Representatives
213 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Gardner:

Thank you for your letter regarding the Commission's process to reform the Universal Service Fund (USF) and intercarrier compensation (ICC) system. 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 accounts for several additional drivers of cost in comparing spending between carriers; it takes recent investment into consideration; 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

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The Honorable Scott Tipton
U.S. House of Representatives
218 Cannon House Office Building
Washington, D.C. 20515

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