



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

November 24, 2015

The Honorable Jeff Merkley
United States Senate
107 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Merkley:

Thank you for your letter expressing concern about the methodology used to by the Wireline Completion Bureau (Bureau) to determine rate-of-return carrier study areas that are fully served by unsubsidized competitors and subject to the phase-out of high cost universal service support. Specifically, your letter expresses concerns about the reliability of FCC Form 477 data to make this preliminary determination. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

In the 2011 *USF/ICC Transformation Order*, the Commission adopted a rule to eliminate high-cost universal service support in incumbent local exchange carrier study areas where an unsubsidized competitor offers voice and broadband services that meet the Commission's service obligations throughout the study area. As my colleagues Commissioners Mignon Clyburn and Michael O'Reilly said recently, "Providing support to a carrier that is in essence using it to compete against an unsubsidized provider is not the best use of our scarce federal universal service dollars, as it distorts the market, fuels inefficiency, creates an un-level playing field, and is not the intent of universal service."

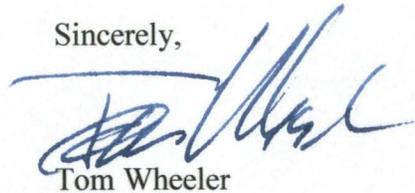
In December 2014, the Commission directed the Bureau to publish its preliminary determination of those areas subject to 100 percent overlap and then provide an opportunity for comment, which the Bureau did in July of this year. The Bureau made a preliminary determination finding 15 rate of return study areas to be 100 percent overlapped by an unsubsidized competitor and 11 study areas with an overlap of between 99 and 100 percent. The companies operating in the affected study areas – including the incumbent carriers, such as the four Oregon carriers noted in your letter, and the unsubsidized competitors – were invited to review and confirm or refute the results of our preliminary analysis. Rate-of-return carriers identified on the preliminary list are also free to submit evidence that an unsubsidized competitor does not offer service to all locations in the census blocks specified and/or that the competitor is not offering service to all locations within those blocks.

After thoroughly reviewing the comments received in response to the preliminary 100 percent overlap determination, including those submitted by your constituents, we will publish the final determination. Under the Commission's rules, the study areas on the final list will receive two-thirds of the frozen baseline amount in the first year and one-third of the frozen baseline amount in the second year prior to support being phased out.

With respect to your concerns regarding the data to make the preliminary determination of which unsubsidized providers offer voice and broadband service throughout a study area, the Bureau relied on the Form 477 broadband deployment in a study area over other sources, such as the State Broadband Initiative/ National Broadband Map (SBI/NBM) data, for several reasons. First, the Form 477 data collection is mandatory, and Form 477 filers must certify to the accuracy of their data. Second, Form 477 also requires providers to report the maximum advertised upload and download speeds they offer in a census block, which alleviates the need to use a pre-set speed tier as a proxy for that appropriate speed. Further, to be considered an unsubsidized competitors, providers must offer both fixed broadband and fixed voice service in a study area. Form 477 provides the best data available on whether broadband providers offer fixed voice service and ensures consistency in the data used to determine both broadband and voice competitors. Finally, while both SBI/NBM and Form 477 data historically could be used to analyze and broadband availability, only Form 477 data will be available going forward.

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", is written over the typed name.

Tom Wheeler





FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

November 24, 2015

The Honorable Kurt Schrader
U.S. House of Representatives
108 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Schrader:

Thank you for your letter expressing concern about the methodology used to by the Wireline Completion Bureau (Bureau) to determine rate-of-return carrier study areas that are fully served by unsubsidized competitors and subject to the phase-out of high cost universal service support. Specifically, your letter expresses concerns about the reliability of FCC Form 477 data to make this preliminary determination. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

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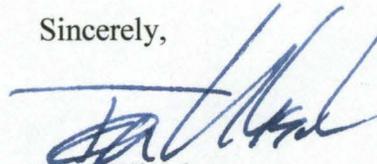
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Sincerely,



Tom Wheeler



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OFFICE OF
THE CHAIRMAN

November 24, 2015

The Honorable Ron Wyden
United States Senate
223 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Wyden:

Thank you for your letter expressing concern about the methodology used to by the Wireline Completion Bureau (Bureau) to determine rate-of-return carrier study areas that are fully served by unsubsidized competitors and subject to the phase-out of high cost universal service support. Specifically, your letter expresses concerns about the reliability of FCC Form 477 data to make this preliminary determination. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

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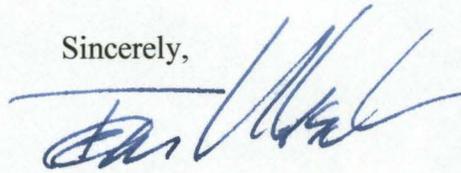
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Tom Wheeler

