

Congress of the United States
Washington, DC 20515

April 2, 2014

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Dear Chairman Wheeler:

On March 20, the FCC announced in a public notice that the “rate floor”, which determines the rate small rural carriers charge to customers for voice services, could increase from \$14.00 to \$20.46 as early as this summer in the absence of further FCC action. As with any government price control, the unfortunate result will be consumer harm and market distortions completely contrary to the desired outcomes.

You addressed the issue during a recent hearing of the House Financial Services and General Government Appropriations subcommittee by stating that the FCC may delay the initial date and phase-in the full rate increase. While your prompt response to a scenario that could immediately threaten local service in rural areas is appreciated, we are concerned about the negatives impacts of the rate floor on rural consumers more broadly than just this most recent and drastic rate increase.

Echoing Commissioner Pai’s recent testimony to the Senate Financial Services and General Government Appropriations subcommittee, the rate floor mechanism, in effect, offers certain rural telecom companies money to raise customers’ phone bills, with the price increases matched dollar-for-dollar from the federal universal service fund. This perverse incentive structure is negatively impacting rural customers and is skewing the business costs of investing in the provision of rural service.

For instance, under the FCC’s *Universal Service Transformation Order of 2011* a company whose rural customers decline voice service, perhaps as a result of a sudden price spike, would be challenged by internal cost decisions when exploring the economics of deploying and servicing a broadband network to rural areas. This, in turn, would lead to either higher prices for consumers choosing only broadband service or a business’ decision to leave the market altogether. Clearly, the effect of this policy is starkly at odds with the FCC’s stated desire of encouraging the IP evolution.

Broadband is crucial to rural economic activity, healthcare, and public safety. At the same time, many rural Arkansans still heavily rely on local voice service. We must ensure that federal policies do not disproportionately impact the ability of businesses to offer either of those services. More importantly, we should not unfairly burden consumers who choose to live in rural parts of the country.

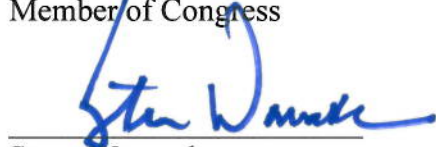
Sincerely,



Tom Cotton
Member of Congress



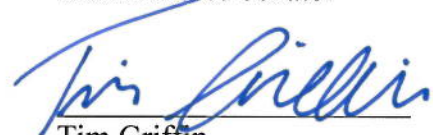
Rick Crawford
Member of Congress



Steve Womack
Member of Congress



John Boozman
United States Senator



Tim Griffin
Member of Congress