GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

APR 16 2007

The Honorable Richard B. Cheney
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed is draft legislation to amend the Communications Act of 1934 to terminate the Telecommunications Development Fund (TDF or Fund); to provide the Federal Communications Commission (FCC) with permanent authority to auction spectrum licenses; to provide the FCC with new authority to charge fees for spectrum licenses and construction permits not granted through auctions; to clarify the FCC's authority to use the auction process to assign orbital locations and spectrum used predominantly for domestic satellite communications services; and to authorize the FCC to use auctions to assign licenses for terrestrial services on frequencies allocated for mobile satellite services. Taken together, these proposals support the FCC's ability to efficiently and effectively implement telecommunications policies for the benefit of the users of telecommunications services. In addition, these proposals will ensure a fair return to taxpayers for use of spectrum resources, by providing estimated budget receipts of $2.8 billion through 2012 and $7.1 billion through 2017.

The first section of the draft legislation closes the Telecommunications Development Fund. It directs the remaining assets and balances in the Fund to be returned and deposited in the Miscellaneous Receipts account of the Treasury. The objective of the Fund was to increase the growth of emerging telecommunications businesses by providing capital and management expertise to entrepreneurs. Although the Fund will have collected approximately $80 million in interest through 2007 from deposits by bidders in FCC spectrum auctions to finance small telecommunications businesses and promote universal service, it has had little success in investing these funds to achieve the program's objectives. Through December 31, 2005, the latest date for which audited statements were prepared, TDF had received about $50 million; of this, it had spent approximately $15 million for administrative costs and lost two-thirds of the $14 million in portfolio investments it had made.

The second section of the draft legislation provides the FCC with permanent spectrum auction authority, which was extended through fiscal year 2011 in the Deficit Reduction Act of 2005. Spectrum auctions have proven to be an efficient method for assigning licenses or permits for certain spectrum-based services. Making the FCC's auction authority permanent will allow for more certainty in the auction-planning process.

The third section of the draft legislation provides the FCC with new authority to charge fees for spectrum licenses and construction permits not granted through auctions in order to promote efficient spectrum use. The FCC would be authorized to set these fees on the basis of the public interest and spectrum management principles.

The fourth and final section of the draft legislation directs the FCC to use the auction process to assign orbital locations and spectrum that are used solely or predominantly for domestic satellite communications services. This section permits the FCC to use an alternative approach to assignment of these licenses if the alternative approach would serve the public interest, convenience, and necessity. The section also authorizes the FCC to use auctions to assign licenses for the terrestrial components of mobile satellite services, subject to technical feasibility as determined by the agency.

The Office of Management and Budget advises that there is no objection to the transmittal of this legislative proposal to the Congress and that its enactment would be in accord with the program of the President. If you have any further questions, please contact me or Nat Wienecke, Assistant Secretary for Legislative and Intergovernmental Affairs, at 482-3663.

Sincerely,

John J. Sullivan

Enclosure

Identical Letters Sent to:

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Steny H. Hoyer
Majority Leader
House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable John A. Boehner
Republican Leader
House of Representatives
Washington, DC 20515

The Honorable Daniel K. Inouye
Chairman, Committee on Commerce,
Science and Transportation
United States Senate
Washington, DC 20510

The Honorable Ted Stevens
Co-Chairman, Committee on Commerce,
Science and Transportation
United States Senate
Washington, DC 20510

The Honorable John D. Dingell
Chairman, Committee on Energy and Commerce
House of Representatives
Washington, DC 20515

The Honorable Joe Barton
Ranking Member, Committee on Energy and Commerce
House of Representatives
Washington, DC 20515