



JUN 30 2006

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510-0010

Dear Mr. President:

Enclosed is draft legislation to amend the Communications Act of 1934 to terminate the Telecommunications Development 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; and to direct the FCC to use the auction process to assign orbital locations and spectrum used predominantly for domestic satellite services.

The first section of the draft legislation closes the Telecommunications Development Fund because of the Fund's disappointing performance, lack of impact, and high administrative costs. It directs the remaining assets and balances in the Fund to be returned and deposited in the Miscellaneous Receipts account of the Treasury. Although the Fund received nearly \$50 million in interest from deposits by bidders in FCC spectrum auctions to finance small telecommunications businesses and promote universal service, it had invested only a total of \$22 million in about 14 companies through the end of calendar year 2004. The Fund has already written off more than \$14 million of these investments and spent approximately \$11 million on salaries and other administrative expenses.

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.

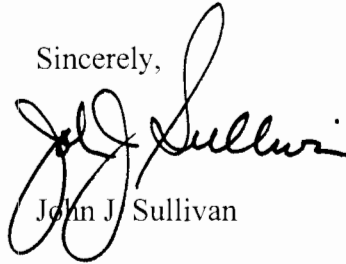
The third section of the draft legislation provides the FCC with new authority to charge fees for spectrum licenses and construction permits not granted through auctions in order to promote efficient spectrum use. The FCC would be authorized to set these fees on the basis of public interest and spectrum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

The fourth and final section directs the FCC to use the auction process to assign orbital locations and spectrum that are used solely or predominantly for domestic satellite services. However, this section also authorizes the FCC to use an alternative approach to assignment of these licenses if such assignment would serve the public interest, convenience, and necessity.

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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 feel free to contact me or Nat Wienecke, Acting Assistant Secretary for Legislative and Intergovernmental Affairs, at 482-3663.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Sullivan". The signature is fluid and cursive, with the first name "John" and last name "Sullivan" clearly legible.

John J. Sullivan

Enclosures

Identical Letters Sent to:

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515-6501

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, DC 20510-7010

The Honorable John A. Boehner
Majority Leader
House of Representatives
Washington, DC 20515-6502

The Honorable Harry M. Reid
Minority Leader
United States Senate
Washington, DC 20510-7020

The Honorable Nancy Pelosi
Minority Leader
House of Representatives
Washington, DC 20515-6537

The Honorable Ted Stevens
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate
Washington, DC 20510-6125

The Honorable Daniel K. Inouye
Co-Chairman, Committee on Commerce,
Science, and Transportation
United States Senate
Washington, DC 20510-6125

The Honorable Joe Barton
Chairman, Committee on Energy and Commerce
House of Representatives
Washington, DC 20515-6115

The Honorable John D. Dingell
Ranking Member
Committee on Energy and Commerce
House of Representatives
Washington, DC 20515-6115