

## UNIVERSAL SERVICE FUND

The Telecommunications Act of 1996 provides for a major restructuring of the Nation's communications laws, promotes universal service and open access to information networks, and provides for flexible government regulations. Under the Act, telecommunications carriers that provide interstate telecommunications services are required to contribute funds for the preservation and advancement of universal service. The contributions are used to provide services eligible for universal service support as prescribed by the FCC. Telecommunications carriers receive a credit towards their contribution by providing discount service to schools, libraries, and health care providers. Support will also be provided to carriers offering services in high cost areas of the United States and to carriers offering services to low income consumers.

<b>Unavailable Collections (in millions of dollars)</b>			
	2002 Actual	2003 Est.	2004 Est.
<b>Receipts:</b>			
02.00 Universal service fund	5,420	6,294	6,619
02.20 Universal service fund	52	35	32
02.99 Total receipts and collections	<u>5,472</u>	<u>6,329</u>	<u>6,651</u>
<b>Appropriations:</b>			
05.00 Universal service fund	<u>-5,472</u>	<u>-6,329</u>	<u>-6,651</u>
07.99 Balance, end of year	0	0	0

<b>Program and Financing (in millions of dollars)</b>			
	2002 Actual	2003 Est.	2004 Est.
<b>Obligations by program activity:</b>			
00.01 Direct program activity	5,464	6,860	6,623
00.02 Program support	42	56	59
10.00 Total new obligations (object class 41.0)	<u>5,506</u>	<u>6,916</u>	<u>6,682</u>
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year	2,296	2,263	1,676
22.00 New budget authority (gross)	5,472	6,329	6,651
23.90 Total budgetary resources available for obligation	<u>7,768</u>	<u>8,592</u>	<u>8,327</u>
23.95 Total new obligations	-5,506	-6,916	-6,682
24.40 Unobligated balance carried forward, end of year	2,263	1,676	1,645

**UNIVERSAL SERVICE FUND**

<b>(Universal Service Fund Cont'd)</b>		<b>Program and Financing (in millions of dollars)</b>		
		2002 Actual	2003 Est.	2004 Est.
<b>New budget authority (gross), detail:</b>				
Mandatory:				
60.20	Appropriation (special fund)	5,420	6,294	6,619
60.20	Appropriation (special fund)	<u>52</u>	<u>35</u>	<u>32</u>
62.50	Appropriation (total mandatory)	5,472	6,329	6,651
<b>Change in obligated balances:</b>				
Change in obligations balances, start of year:				
72.40	Obligated balance, start of year	0	397	956
73.10	Total new obligations	5,506	6,916	6,682
73.20	Total outlays (gross)	-5,108	-6,357	-6,588
74.40	Obligated balance, end of year	397	956	1,050
<b>Outlays (gross), detail:</b>				
86.97	Outlays from new mandatory authority	2,812	3,697	3,956
86.98	Outlays from mandatory balances	<u>2,296</u>	<u>2,660</u>	<u>2,632</u>
87.00	Total outlays (gross)	5,108	6,357	6,588
<b>Net budget authority and outlays:</b>				
89.00	Budget authority	5,472	6,329	6,651
90.00	Outlays	5,109	6,357	6,588

## SPECTRUM AUCTION PROGRAM ACCOUNT

This program provides for direct loans for the purpose of purchasing spectrum licenses at the Federal Communications Commission's auctions. The licenses are being purchased on an installment basis, which constitutes an extension of credit. The first year of activity for this program was 1996.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated in 1992 and beyond (including modifications of direct loans and loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis and administrative expenses are estimated on a cash basis.

### Program and Financing (in millions of dollars)

	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.05 Reestimates of direct loan subsidy	94	362	0
00.06 Interest on reestimates of direct loan subsidy	40	163	0
00.09 Administrative Expenses	9	13	13
10.00 Total new obligations	143	538	13
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year	0	2	0
22.00 New budget authority (gross)	145	536	13
23.90 Total budgetary resources available for obligation	145	538	0
23.95 Total new obligations	-143	-538	-13
24.40 Unobligated balance carried forward, end of year	2	0	0
<b>New budget authority (gross), detail:</b>			
<b>Mandatory:</b>			
60.00 Appropriation	142	536	13
69.00 Offsetting collections (cash)	3	25	0
69.27 Capital transfer to general fund	0	-25	0
69.90 Spending authority from offsetting collections (total mandatory)	3	0	0
70.00 Total new budget authority (gross)	145	536	13

**Program and Financing (in millions of dollars)**

	2002 actual	2003 est.	2004 est.
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year	3	3	0
73.10 Total new obligations	143	538	13
73.20 Total outlays (gross)	<u>-143</u>	<u>-541</u>	<u>-13</u>
74.40 Obligated balance, end of year	3	0	0
<b>Outlays (gross), detail:</b>			
86.97 Outlays from new mandatory authority	143	536	13
86.98 Outlays from mandatory balances	<u>0</u>	<u>5</u>	<u>0</u>
87.00 Total outlays (gross)	143	541	13
<b>Offsets:</b>			
Against budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	-3	-25	0
<b>Net budget authority and outlays:</b>			
89.00 Budget authority	142	511	13
90.00 Outlays	140	516	13

**Summary of Loan levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)**

	2002 actual	2003 est.	2004 est.
Direct loan levels supportable by subsidy budget authority:			
1150 Direct loan levels	1	0	0
1159 Total direct loan levels	1	0	0
Direct loans subsidy (in percent):	15.37		
1320 Subsidy Rate	0	0	0
1329 Weighted average subsidy rate	0	0	0

**Summary of Loan levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)**

	2002 actual	2003 est.	2004 est.
<b>Direct loan subsidy budget authority:</b>			
1330 Subsidy budget authority	0	0	0
1339 Total subsidy budget authority	0	0	0
<b>Direct loan subsidy outlays:</b>			
1340 Subsidy outlays	0	0	0
1349 Total subsidy outlays	0	0	0
<b>Direct loan upward reestimate subsidy budget authority</b>			
1350 Upward reestimate subsidy budget authority	134	525	0
1359 Total upward reestimate budget authority	134	525	0
<b>Direct loan upward reestimate subsidy outlays</b>			
1360 Upward reestimate subsidy outlays	134	525	0
1369 Total upward reestimate subsidy outlays	134	525	0
<b>Direct loan downward reestimate subsidy budget authority</b>			
1370 Downward reestimate subsidy budget authority	-3	-25	0
1379 Total downward reestimate budget authority	-3	-25	0
<b>Direct loan downward reestimate subsidy outlays</b>			
1380 Downward reestimate subsidy outlays	-3	-25	0
1389 Total downward reestimate subsidy outlays	-3	-25	0
<b>Administrative expense data:</b>			
3510 Budget authority	9	13	13
3580 Outlays from balances	0	0	0
3590 Outlays from new authority	9	13	13

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**Object Classification (in millions of dollars)**

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	2002 actual	2003 est.	2004 est.
11.11 Personnel compensation: Full-time permanent	1	1	1
25.52 Other services	8	12	12
41.10 Grants, subsidies, and contributions	<u>134</u>	<u>525</u>	<u>0</u>
99.99 Total new obligations	143	538	13

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**Personnel Summary**

1001 Total compensable workyears: Full-time equivalent employment	8	8	8
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**SPECTRUM AUCTION DIRECT LOAN FINANCING ACCOUNT**

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

**Program and Financing (in millions of dollars)**

	2002 actual	2003 est.	2004 est.
<b>Operating Expenses:</b>			
00.01 Direct Loans	1	0	0
00.02 Interest Paid to Treasury	417	392	300
00.91 Direct Program by Activities - Subtotal (1 level)	<u>418</u>	<u>392</u>	<u>300</u>
08.02 Downward subsidy reestimate	2	16	0
08.04 Interest on downward reestimate	1	9	0
08.91 Direct Program by Activities - Subtotal (1 level)	<u>3</u>	<u>25</u>	<u>0</u>
10.00 Total new obligations	<u>421</u>	<u>417</u>	<u>300</u>
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year	18	21	0
22.00 New financing authority (gross)	424	396	300
23.90 Total budgetary resources available for obligation	<u>442</u>	<u>417</u>	<u>300</u>
23.95 Total new obligations	-421	-417	-300
23.40 Unobligated balance carried forward, end of year	21	0	0
<b>New budget authority (gross), detail:</b>			
<b>Mandatory:</b>			
67.10 Authority to borrow:	4	25	187
Offsetting collections			
69.00 Offsetting collections (Re-estimate)	94	362	0
69.00 Offsetting collections (Int-reestimate)	40	163	0

**Program and Financing (in millions of dollars)**

	2002 actual	2003 est.	2004 est.
69.00 Offsetting collections (Payment on loans)	345	94	113
69.00 Other Treasury collections (Auction 35 receipts)	0	997	0
69.00 Other Treasury collections (recoveries)	258	0	0
69.00 Other Treasury collections (pioneer's preference)	0	114	0
69.00 Offsetting collections (Treasury Int).	26	0	0
69.47 Portion applied to repay debt	-343	-1,359	0
69.90 Spending authority from offsetting collections (total mandatory)	<u>420</u>	<u>371</u>	<u>113</u>
70.00 Total new financing authority (gross)	424	396	300
<b>Change in obligated balances:</b>			
73.10 Total new obligations	421	417	300
73.20 Total financing disbursements (gross)	-421	-417	-300
<b>Outlays (gross), detail:</b>			
87.00 Total financing disbursements (gross)	421	417	300
<b>Offsets:</b>			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Program account: total revised subsidy	-134	-525	0
88.25 Interest on uninvested funds	-26	0	0
Non-Federal sources:			
88.40 Interest received on loans	-44	-27	-21
88.40 Principal received on loans	-301	-67	-92
88.40 Recoveries	-258	-997	0
88.40 Non-Federal sources	<u>0</u>	<u>-114</u>	<u>0</u>
88.90 Total offsetting collections (cash)	-763	-1,730	-113
<b>Net budget authority and outlays:</b>			
89.00 Financing authority	-339	-1,334	187
90.00 Financing disbursements	-342	-1,313	187



**Status of Direct Loans (in millions of dollars)**

	2002 actual	2003 est.	2004 est.
<b>Position with respect to appropriations act limitation on obligations:</b>			
1111 Limitation on direct loans	0	0	0
1131 Direct loan obligation exempt from limitation	1	0	0
1150 Total direct loan obligations	<u>1</u>	<u>0</u>	<u>0</u>
<b>Cumulative balance of direct loans outstanding:</b>			
1210 Outstanding, start of year	5,593	5,293	5,226
1231 Disbursements: Direct loan disbursements	1	0	0
1251 Repayments: Repayments and prepayments	-301	-67	-92
1263 Write-offs for default: Direct loans	0	0	0
1290 Outstanding, end of year	<u>5,293</u>	<u>5,226</u>	<u>5,134</u>

**Balance Sheet (in millions of dollars)**

	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balance with Treasury	18	21	0	0
Net value of assets related to post-1991 direct loan receivable:				
1401 Direct loans receivable, gross	5,593	5,293	5,226	5,134
1402 Interest receivable	293	295	297	299
1405 Allowance for subsidy cost (-)	216	-328	-1,086	-809
1499 Net present value of assets related to direct loans	<u>6,102</u>	<u>5,260</u>	<u>4,437</u>	<u>4,624</u>
1901 Other Federal assets: Other assets	0	525	0	0
<b>1999 Total assets</b>	<u>6,102</u>	<u>5,806</u>	<u>4,437</u>	<u>4,624</u>
<b>LIABILITIES:</b>				
Federal liabilities				
2103 Resources payable to Treasury	6,110	5,771	4,437	4,624
2105 Other (liability to prog. acct.)	10	25	0	0
2105 Other Debt	0	10	0	0
<b>2999 Total liabilities</b>	<u>6,120</u>	<u>5,806</u>	<u>4,437</u>	<u>4,624</u>
4999 Total liabilities and net position	6,120	5,806	4,437	4,624



CHAIRMAN

Federal Communications Commission

Washington, D.C.

November 29, 2002

The Honorable Joseph I. Lieberman  
Chairman  
Committee on Governmental Affairs  
United States Senate  
605 Hart Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

On September 30, 2002, the U.S. General Accounting Office ("GAO") released a report entitled TELECOMMUNICATIONS: Better Coordination and Enhanced Accountability Needed to Improve Spectrum Management (GAO-02-906) ("GAO Report"). The GAO Report made several recommendations, two of which concerned the Commission. This letter is to inform you of the actions the Federal Communications Commission has taken and will take with regard to the recommendations made by the GAO.

As noted in the Commission staff's August 28, 2002 letter (see Appendix III of the GAO Report), the GAO Report makes two recommendations that pertain to the Commission. The first recommendation is that: *The Secretary of Commerce and the Chairman of the Federal Communications Commission should establish and carry out formal, joint planning activities to develop a clearly defined national spectrum strategy to guide domestic and international spectrum management decision making. The results of these planning activities should be reported to the appropriate congressional committees.*

Assistant Secretary Nancy Victory and I have agreed to hold meetings on a regular basis to discuss spectrum planning and policy issues. We have had an initial meeting already and will have another spectrum planning meeting in early December 2002. As this process progresses and spectrum plans are developed further, we will report to the appropriate Congressional Committees. Assistant Secretary Victory and I have also agreed that our senior staff will meet regularly to discuss issues related to spectrum planning. In fact, the first such planning meeting took place on October 30, 2002.

In addition, the Commission's Spectrum Policy Task Force recently issued a report setting forth a number of recommendations for spectrum policy reform. This Task Force report, which culminated in a comprehensive review of the Commission's spectrum policies, may provide useful input into the national spectrum planning process and our work with the National Telecommunications and Information Administration.

The second recommendation in the GAO Report that pertains to the Commission is: *Following the 2003 World Radio Communication Conference, the Secretary of State, the Secretary of Commerce, and the Chairman of the Federal Communications Commission should jointly review the adequacy of the process used to develop and promote the U.S. position, including the separate processes used by the FCC and NTIA, and the short tenure of the head of delegation, and prepare a report containing any needed recommendations for making improvements. The report should be provided to the appropriate congressional committees.*

I support this recommendation as well. The United States has had an outstanding record of success at past international radio conferences. The Commission has taken several actions following the 2000 World Radio Communication Conference (“WRC-2000”) to improve the way the United States prepares for such conferences. In particular, the Commission formed the WRC Advisory Committee shortly after WRC-2000, which enabled us to develop Commission positions earlier in preparation for the 2003 Conference. This, in turn, has allowed for more time to coordinate among the other federal agencies to develop the U.S. positions for WRC-2003. I agree that it would be beneficial for the State Department, Department of Commerce, and Commission to review the U.S. preparatory processes further following WRC-2003 and to prepare a report containing any recommendations for improvements. We look forward to working closely with the WRC-2003 ambassador as soon as he or she is named.

In addition, the report refers to delays in implementing WRC decisions pertaining to the U.S. Table of Frequency Allocations. These delays have been attributed, in large part, to a shortage of necessary Commission engineering staff. I am pleased to report that additions to our engineering staff have enabled the Commission to begin the process of implementing many of the changes in allocations. We have also initiated an Excellence in Engineering Program to modernize the Commission’s technical resources. Several Commission rulemakings — which are required in order to modify the U.S. Table of Frequency Allocations — have been initiated. Most recently, in October 2002, the Commission issued a *Notice of Proposed Rulemaking* regarding reallocating certain frequencies from 28 MHz – 36 GHz.<sup>1</sup> This proceeding addresses several decisions of the World Administrative Radio Conference (“WARC-92”) and the 1995 and 1997 World Radio Communication Conferences (“WRC-95” and “WRC-97”), which had not been addressed in previous WRC-related reallocation proceedings. Many of the allocation changes that are the subject of this rulemaking are changes sought at the request of NTIA. Also, last summer, the Commission initiated another proceeding implementing various reallocations that were the subject of WARC-92 and the WRC-2000 in the 71-76 GHz, 81-86 GHz, and 92-95 GHz bands.<sup>2</sup> Once these, and several other pending rulemakings have been completed, the

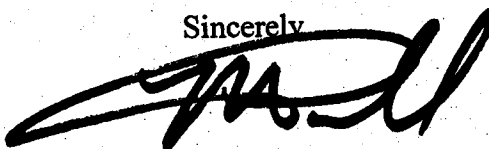
<sup>1</sup> *Amendment of Parts 2, 25, and 87 of the Commission’s Rules to Implement Decisions from World Radiocommunication Conferences Concerning Frequency Bands Between 28 MHz and 36 GHz and to Otherwise Update the Rules in this Frequency Range*, ET Docket No. 02-305, *Notice of Proposed Rulemaking*, 17 FCC Rcd 19,756 (2002).

<sup>2</sup> *Allocations and Service Rules for the 71-76 GHz, 81-86 GHz, and 92-95 GHz Bands*, WT Docket No. 02-146, *Notice of Proposed Rulemaking*, 17 FCC Rcd 12,182 (2002).

Commission will have implemented virtually all the reallocation decisions resulting from the WRC process.<sup>3</sup>

Please contact me or alternatively my lead advisor on these issues, Mr. Julius Knapp, Deputy Chief, Office of Engineering and Technology, if we can be of any further assistance.

Sincerely

A handwritten signature in black ink, appearing to read 'M. Powell', written over a horizontal line.

Michael K. Powell  
Chairman

cc: Director, Office of Management and Budget  
Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Assistant Secretary for Communications and Information, Department of Commerce

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<sup>3</sup> We plan to initiate rule making early next year to implement a few minor remaining reallocations in the upper reaches of the spectrum above 76 GHz. This will complete the process of addressing the WRC decisions mentioned in GAO's report.



Federal Communications Commission

Washington, D.C.

CHAIRMAN

November 29, 2002

The Honorable Fred Thompson  
Ranking Member  
Committee on Governmental Affairs  
United States Senate  
340 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Thompson:

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The second recommendation in the GAO Report that pertains to the Commission is: *Following the 2003 World Radio Communication Conference, the Secretary of State, the Secretary of Commerce, and the Chairman of the Federal Communications Commission should jointly review the adequacy of the process used to develop and promote the U.S. position, including the separate processes used by the FCC and NTIA, and the short tenure of the head of delegation, and prepare a report containing any needed recommendations for making improvements. The report should be provided to the appropriate congressional committees.*

I support this recommendation as well. The United States has had an outstanding record of success at past international radio conferences. The Commission has taken several actions following the 2000 World Radio Communication Conference (“WRC-2000”) to improve the way the United States prepares for such conferences. In particular, the Commission formed the WRC Advisory Committee shortly after WRC-2000, which enabled us to develop Commission positions earlier in preparation for the 2003 Conference. This, in turn, has allowed for more time to coordinate among the other federal agencies to develop the U.S. positions for WRC-2003. I agree that it would be beneficial for the State Department, Department of Commerce, and Commission to review the U.S. preparatory processes further following WRC-2003 and to prepare a report containing any recommendations for improvements. We look forward to working closely with the WRC-2003 ambassador as soon as he or she is named.

In addition, the report refers to delays in implementing WRC decisions pertaining to the U.S. Table of Frequency Allocations. These delays have been attributed, in large part, to a shortage of necessary Commission engineering staff. I am pleased to report that additions to our engineering staff have enabled the Commission to begin the process of implementing many of the changes in allocations. We have also initiated an Excellence in Engineering Program to modernize the Commission’s technical resources. Several Commission rulemakings — which are required in order to modify the U.S. Table of Frequency Allocations — have been initiated. Most recently, in October 2002, the Commission issued a *Notice of Proposed Rulemaking* regarding reallocating certain frequencies from 28 MHz – 36 GHz.<sup>1</sup> This proceeding addresses several decisions of the World Administrative Radio Conference (“WARC-92”) and the 1995 and 1997 World Radio Communication Conferences (“WRC-95” and “WRC-97”), which had not been addressed in previous WRC-related reallocation proceedings. Many of the allocation changes that are the subject of this rulemaking are changes sought at the request of NTIA. Also, last summer, the Commission initiated another proceeding implementing various reallocations that were the subject of WARC-92 and the WRC-2000 in the 71-76 GHz, 81-86 GHz, and 92-95 GHz bands.<sup>2</sup> Once these, and several other pending rulemakings have been completed, the

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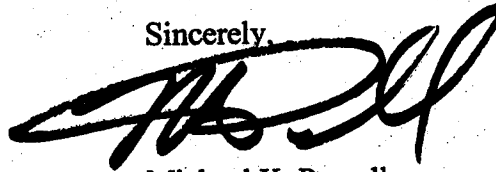
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Chairman

cc: Director, Office of Management and Budget  
Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Assistant Secretary for Communications and Information, Department of Commerce

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Federal Communications Commission

Washington, D.C.

CHAIRMAN

November 29, 2002

The Honorable Dan Burton  
Chairman  
Committee on Government Reform  
U.S. House of Representatives  
2157 Rayburn House Office Building  
Washington, D.C. 20515

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The second recommendation in the GAO Report that pertains to the Commission is: *Following the 2003 World Radio Communication Conference, the Secretary of State, the Secretary of Commerce, and the Chairman of the Federal Communications Commission should jointly review the adequacy of the process used to develop and promote the U.S. position, including the separate processes used by the FCC and NTIA, and the short tenure of the head of delegation, and prepare a report containing any needed recommendations for making improvements. The report should be provided to the appropriate congressional committees.*

I support this recommendation as well. The United States has had an outstanding record of success at past international radio conferences. The Commission has taken several actions following the 2000 World Radio Communication Conference (“WRC-2000”) to improve the way the United States prepares for such conferences. In particular, the Commission formed the WRC Advisory Committee shortly after WRC-2000, which enabled us to develop Commission positions earlier in preparation for the 2003 Conference. This, in turn, has allowed for more time to coordinate among the other federal agencies to develop the U.S. positions for WRC-2003. I agree that it would be beneficial for the State Department, Department of Commerce, and Commission to review the U.S. preparatory processes further following WRC-2003 and to prepare a report containing any recommendations for improvements. We look forward to working closely with the WRC-2003 ambassador as soon as he or she is named.

In addition, the report refers to delays in implementing WRC decisions pertaining to the U.S. Table of Frequency Allocations. These delays have been attributed, in large part, to a shortage of necessary Commission engineering staff. I am pleased to report that additions to our engineering staff have enabled the Commission to begin the process of implementing many of the changes in allocations. We have also initiated an Excellence in Engineering Program to modernize the Commission’s technical resources. Several Commission rulemakings — which are required in order to modify the U.S. Table of Frequency Allocations — have been initiated. Most recently, in October 2002, the Commission issued a *Notice of Proposed Rulemaking* regarding reallocating certain frequencies from 28 MHz – 36 GHz.<sup>1</sup> This proceeding addresses several decisions of the World Administrative Radio Conference (“WARC-92”) and the 1995 and 1997 World Radio Communication Conferences (“WRC-95” and “WRC-97”), which had not been addressed in previous WRC-related reallocation proceedings. Many of the allocation changes that are the subject of this rulemaking are changes sought at the request of NTIA. Also, last summer, the Commission initiated another proceeding implementing various reallocations that were the subject of WARC-92 and the WRC-2000 in the 71-76 GHz, 81-86 GHz, and 92-95 GHz bands.<sup>2</sup> Once these, and several other pending rulemakings have been completed, the

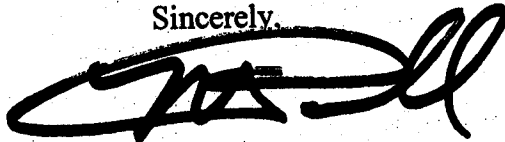
<sup>1</sup> *Amendment of Parts 2, 25, and 87 of the Commission’s Rules to Implement Decisions from World Radiocommunication Conferences Concerning Frequency Bands Between 28 MHz and 36 GHz and to Otherwise Update the Rules in this Frequency Range*, ET Docket No. 02-305, *Notice of Proposed Rulemaking*, 17 FCC Rcd 19,756 (2002).

<sup>2</sup> *Allocations and Service Rules for the 71-76 GHz, 81-86 GHz, and 92-95 GHz Bands*, WT Docket No. 02-146, *Notice of Proposed Rulemaking*, 17 FCC Rcd 12,182 (2002).

Commission will have implemented virtually all the reallocation decisions resulting from the WRC process.<sup>3</sup>

Please contact me or alternatively my lead advisor on these issues, Mr. Julius Knapp, Deputy Chief, Office of Engineering and Technology, if we can be of any further assistance.

Sincerely,



Michael K. Powell  
Chairman

cc: Director, Office of Management and Budget  
Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Assistant Secretary for Communications and Information, Department of Commerce

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<sup>3</sup> We plan to initiate rule making early next year to implement a few minor remaining reallocations in the upper reaches of the spectrum above 76 GHz. This will complete the process of addressing the WRC decisions mentioned in GAO's report.



Federal Communications Commission

Washington, D.C.

CHAIRMAN

November 29, 2002

The Honorable Henry A. Waxman  
Ranking Member  
Committee on Government Reform  
U.S. House of Representatives  
B-350A Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman Waxman:

On September 30, 2002, the U.S. General Accounting Office ("GAO") released a report entitled TELECOMMUNICATIONS: Better Coordination and Enhanced Accountability Needed to Improve Spectrum Management (GAO-02-906) ("GAO Report"). The GAO Report made several recommendations, two of which concerned the Commission. This letter is to inform you of the actions the Federal Communications Commission has taken and will take with regard to the recommendations made by the GAO.

As noted in the Commission staff's August 28, 2002 letter (see Appendix III of the GAO Report), the GAO Report makes two recommendations that pertain to the Commission. The first recommendation is that: *The Secretary of Commerce and the Chairman of the Federal Communications Commission should establish and carry out formal, joint planning activities to develop a clearly defined national spectrum strategy to guide domestic and international spectrum management decision making. The results of these planning activities should be reported to the appropriate congressional committees.*

Assistant Secretary Nancy Victory and I have agreed to hold meetings on a regular basis to discuss spectrum planning and policy issues. We have had an initial meeting already and will have another spectrum planning meeting in early December 2002. As this process progresses and spectrum plans are developed further, we will report to the appropriate Congressional Committees. Assistant Secretary Victory and I have also agreed that our senior staff will meet regularly to discuss issues related to spectrum planning. In fact, the first such planning meeting took place on October 30, 2002.

In addition, the Commission's Spectrum Policy Task Force recently issued a report setting forth a number of recommendations for spectrum policy reform. This Task Force report, which culminated in a comprehensive review of the Commission's spectrum policies, may provide useful input into the national spectrum planning process and our work with the National Telecommunications and Information Administration.

The second recommendation in the GAO Report that pertains to the Commission is: *Following the 2003 World Radio Communication Conference, the Secretary of State, the Secretary of Commerce, and the Chairman of the Federal Communications Commission should jointly review the adequacy of the process used to develop and promote the U.S. position, including the separate processes used by the FCC and NTIA, and the short tenure of the head of delegation, and prepare a report containing any needed recommendations for making improvements. The report should be provided to the appropriate congressional committees.*

I support this recommendation as well. The United States has had an outstanding record of success at past international radio conferences. The Commission has taken several actions following the 2000 World Radio Communication Conference (“WRC-2000”) to improve the way the United States prepares for such conferences. In particular, the Commission formed the WRC Advisory Committee shortly after WRC-2000, which enabled us to develop Commission positions earlier in preparation for the 2003 Conference. This, in turn, has allowed for more time to coordinate among the other federal agencies to develop the U.S. positions for WRC-2003. I agree that it would be beneficial for the State Department, Department of Commerce, and Commission to review the U.S. preparatory processes further following WRC-2003 and to prepare a report containing any recommendations for improvements. We look forward to working closely with the WRC-2003 ambassador as soon as he or she is named.

In addition, the report refers to delays in implementing WRC decisions pertaining to the U.S. Table of Frequency Allocations. These delays have been attributed, in large part, to a shortage of necessary Commission engineering staff. I am pleased to report that additions to our engineering staff have enabled the Commission to begin the process of implementing many of the changes in allocations. We have also initiated an Excellence in Engineering Program to modernize the Commission’s technical resources. Several Commission rulemakings — which are required in order to modify the U.S. Table of Frequency Allocations — have been initiated. Most recently, in October 2002, the Commission issued a *Notice of Proposed Rulemaking* regarding reallocating certain frequencies from 28 MHz – 36 GHz.<sup>1</sup> This proceeding addresses several decisions of the World Administrative Radio Conference (“WARC-92”) and the 1995 and 1997 World Radio Communication Conferences (“WRC-95” and “WRC-97”), which had not been addressed in previous WRC-related reallocation proceedings. Many of the allocation changes that are the subject of this rulemaking are changes sought at the request of NTIA. Also, last summer, the Commission initiated another proceeding implementing various reallocations that were the subject of WARC-92 and the WRC-2000 in the 71-76 GHz, 81-86 GHz, and 92-95 GHz bands.<sup>2</sup> Once these, and several other pending rulemakings have been completed, the

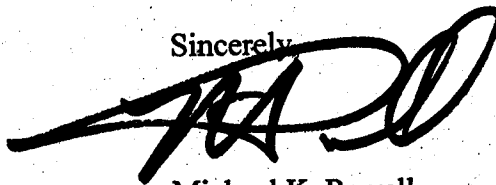
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Commission will have implemented virtually all the reallocation decisions resulting from the WRC process.<sup>3</sup>

Please contact me or alternatively my lead advisor on these issues, Mr. Julius Knapp, Deputy Chief, Office of Engineering and Technology, if we can be of any further assistance.

Sincerely,



Michael K. Powell  
Chairman

cc: Director, Office of Management and Budget  
Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Assistant Secretary for Communications and Information, Department of Commerce

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<sup>3</sup> We plan to initiate rule making early next year to implement a few minor remaining reallocations in the upper reaches of the spectrum above 76 GHz. This will complete the process of addressing the WRC decisions mentioned in GAO's report.



Federal Communications Commission

Washington, D.C.

CHAIRMAN

January 28, 2003

The Honorable Susan Collins  
Chairwoman  
Committee on Governmental Affairs  
United States Senate  
340 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairwoman Collins:

On November 8, 2002, the U.S. General Accounting Office ("GAO") submitted a report to Congressman Markey entitled Telecommunications: Additional Federal Efforts Could Help Advance Digital Television Transition (GAO-03-7). This letter is to inform you of the actions that the Federal Communications Commission has taken and will take regarding the GAO recommendations outlined in the report.

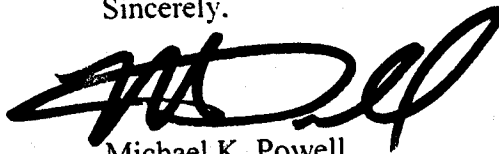
First, the report recommends that the Commission explore options to raise public awareness about the DTV transition and its implications. I fully agree that consumer education is critical to the transition's success. Consumers will embrace a new technology like digital television only when they understand what it is and what it means for their lives. In April 2002, I publicly called on the industries involved in the transition to take specific steps in this regard. Specifically, I asked broadcasters to promote their digital content over their analog broadcast facilities, cable operators to promote their digital television offerings on their systems and in monthly bills, and equipment manufacturers and retailers to make consumers aware of their digital television options at the point-of-sale. Here at the Commission, we recently sought comment on potential labeling requirements for analog and digital television sets to ensure that consumers are aware of the current and future capabilities of the equipment they purchase. We also intend to be a resource for consumers to obtain balanced information as they make necessary decisions regarding the DTV transition. Among other things, we maintain a digital television page on our website and assist consumers through our toll-free Call Center. We will continue our efforts to increase public awareness of digital television, within the confines of our resources and expertise, both on our own and in partnership with outside parties.

Second, the report recommends that the Commission study the costs and benefits of mandating that all new televisions be digital "cable ready." Compatibility between digital television sets and cable systems is one of the Commission's longstanding goals. We have employed a variety of mechanisms to resolve many of the complex and contentious issues involved, including formal rulemakings, mandatory reporting requirements, and face-to-face discussions among the parties. Recently, on December 19, 2002, major cable and consumer electronics companies submitted a package of joint recommendations to the Commission to promote the deployment of a national "plug and play" standard for one-way cable services. On

January 10, 2003, the Commission released a *Further Notice of Proposed Rulemaking* seeking public comment on the package. I anticipate that the Commission will examine the costs and benefits of any “plug and play” mandates in the context of the specific inter-industry proposal before us.

Finally, the report recommends that the Commission set a date certain for broadcasters' mandatory carriage rights to switch from their analog to their digital signals. As indicated in the letter from W. Kenneth Ferree, Chief of the Commission's Media Bureau, and included as Appendix IV in the GAO report, such a proposal is under consideration in the Commission's digital carriage proceeding. The record is now closed in that proceeding and the staff is preparing a draft Order for the Commission's consideration.

Sincerely,



Michael K. Powell  
Chairman

cc: Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Office of Management and Budget



Federal Communications Commission

Washington, D.C.

CHAIRMAN

January 28, 2003

The Honorable Joseph Lieberman  
Ranking Member  
Committee on Governmental Affairs  
United States Senate  
326 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Lieberman:

On November 8, 2002, the U.S. General Accounting Office ("GAO") submitted a report to Congressman Markey entitled Telecommunications: Additional Federal Efforts Could Help Advance Digital Television Transition (GAO-03-7). This letter is to inform you of the actions that the Federal Communications Commission has taken and will take regarding the GAO recommendations outlined in the report.

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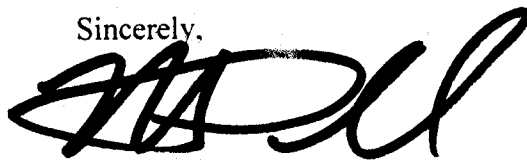
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Sincerely,

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Michael K. Powell  
Chairman

cc: Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Office of Management and Budget



CHAIRMAN

Federal Communications Commission

Washington, D.C.

January 28, 2003

The Honorable Tom Davis  
Chairman  
Committee on Government Reform  
U.S. House of Representatives  
2157 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Davis:

On November 8, 2002, the U.S. General Accounting Office ("GAO") submitted a report to Congressman Markey entitled Telecommunications: Additional Federal Efforts Could Help Advance Digital Television Transition (GAO-03-7). This letter is to inform you of the actions that the Federal Communications Commission has taken and will take regarding the GAO recommendations outlined in the report.

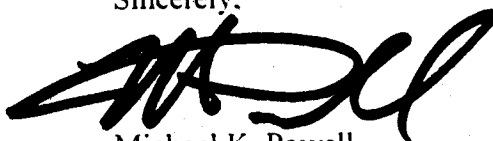
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Michael K. Powell  
Chairman

cc: Director, Physical Infrastructure Issues, U.S. General Accounting Office  
Office of Management and Budget



CHAIRMAN

Federal Communications Commission

Washington, D.C.

January 28, 2003

The Honorable Henry A. Waxman  
Ranking Member  
Committee on Government Reform  
U.S. House of Representatives  
B-350A Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman Waxman:

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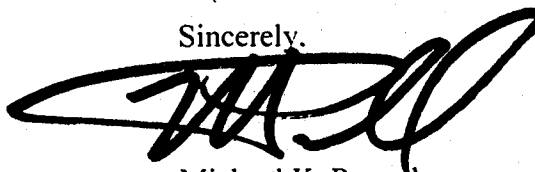
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