



**United States Department of Agriculture
Rural Development**

OPEN LETTER FROM THE ADMINISTRATOR

May 23, 2011

Dear Friends:

Rural Development's Rural Utilities Service (RUS) and its predecessor, the Rural Electrification Administration, (REA) have played a leading role in helping rural America gain access to advanced telecommunications systems, equipment and services. The List of Materials historically has been a very useful tool in assuring product quality and reliability.

Today, I am announcing that Rural Development will take a fundamentally new approach to advancing state-of-the-art telecommunications technologies, consistent with our commitment to high quality rural service and the efficient use of taxpayer dollars. Effective immediately, Rural Development will no longer accept applications for equipment to be added to the List of Materials for Telecommunications and Rural Development will cease publication of the List of Materials for Telecommunications.

Technology has changed dramatically since the start of the Agency's telecommunications program in 1949. The telecommunications equipment supply sector is very different, and far more complex and diverse, today than it was over 60 years ago. Product life cycles have accelerated, innovations abound and new suppliers have entered the market.

In this new technology environment, Rural Development must operate efficiently and effectively under current budgetary constraints. Maintaining the List of Materials, which includes a product by product review, simply cannot be sustained under our current budget and with our limited staff.

To protect our loan security and compliance with continuing Buy America statutory mandates, we will transition from a listing process to an approach which ensures that construction financed by RUS meets applicable industry standards. This new approach will be incorporated into our review of individual projects and the approval of loan advances.

I am very proud of the current and former Rural Development, RUS and REA staff who made the List of Materials a highly effective tool to enhance loan security and advance rural telecommunications technology. The demands on the agency today are such that I need to deploy the extraordinary talent devoted to the listing process toward other technical and engineering needs, including the successful and prudent implementation of broadband, telecommunications, distance learning and telemedicine projects across the nation.

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Committed to the future of rural communities.

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Although the agency is ending the publication of the list, it is not ending its insistence that infrastructure financed by taxpayers through our program conform to the highest technical standards. It is also not altering its statutory Buy America obligations. In addition to facilitating government efficiency, this new approach will give our customers increased flexibility to find and deploy technology that meets the specific needs of their customers. Our staff stands prepared to work with applicants and borrowers to help them deploy effective technology that meets the needs of the rural communities they serve.

In addition, we understand that many of our borrowers have put contracts out to bid requiring utilization of the List of Materials. In these cases, our borrowers have two choices. First, they can cancel the bid solicitation or modify the solicitation to extend the bid date or clarify the bidding terms based upon the List of Materials no longer being available. Or two, they can require that bidders still follow the List of Materials that was in effect on the date the contract was put out to bid. In the event a potential bidder does not have a copy of the List of Materials that was in effect on the date the contract was put out to bid, the bidder may contact RUS staff for assistance in determining whether certain equipment was on the approved list at the time. RUS staff stand ready to assist all customers during this transition period.

We will post additional information, including Frequently Asked Questions (FAQs) regarding this matter on Rural Development's Telecommunications Program website located at:

<http://www.rurdev.usda.gov/RUSTelecomPrograms.html>

I look forward to working with borrowers, lenders, equipment vendors, consulting engineers and consumers to ensure that our new 21st Century approach to telecommunications equipment product quality enhances the deployment of advanced broadband networks throughout rural America.

A handwritten signature in blue ink, appearing to read "John A. Adkins". The signature is written in a cursive style with a large loop at the beginning.

Administrator
Rural Utilities Service