

## **Saving Rural Communities Through Telecommunications**

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Rob Hammond

COO & General Counsel

BEVCOMM

Members of the Rural Caucus. My name is Rob Hammond and I am the Chief Operating Officer and General Counsel at BEVCOMM. BEVCOMM is the holding company for five telephone companies located in Minnesota and Iowa. We have approximately 14,000 access lines. Our company has been in business over 100 years and is presently being managed by the fourth generation of the Eckles family. In addition to wireline services we are an ISP which serves 4500 dial up customers and 2800 DSL customers. We also have numerous other interests in wireless operations and fiber optic facilities used for leasing. I am also a member of the board of Midwest Wireless, the second largest privately held wireless operation which is made up of about 60 Iowa, Minnesota and Wisconsin telephone companies.

Before I expand further on telecommunications, I would add that I am also the mayor of Blue Earth, a city with the population of 3700 citizens. It is the county seat of Faribault County and is located 120 miles south of the Twin Cities. Our community is heavily dependent on agriculture and related services. We also appreciate the importance, as a small town, of having a locally owned telephone company. We have used the expansion of Internet and computer related services to bring graduates of our community back.

I have been fortunate to have 17 years experience in the communications industry. I can assure you that the past seventeen years have been anything from boring. It has given me the

opportunity to participate in and see some of the most exciting changes in the telecommunications industry since the first phone call were made.

With the changes we have seen in the convergence of wired, wireless, and cable services and our experiences under the 1996 Telecom Act, there is little doubt in my mind that we need to look at a new telecom bill. I don't envy your job. As you look at a new law, please appreciate the importance of small, locally owned telephone companies and their impact on our communities. I live in a county of 15,000 people which is the home of five independent telephone companies and it provides jobs for about 75 people. Our company's employees are an important part of our communities and participate in all aspects of government and economic development. In our company alone, we have made it possible for about 20 people to find jobs in internet and computer related businesses which would not have existed if it had not been for our company. Employees serve or have served on city councils, hospital boards and school boards, are firemen, first responders, and are active in many other community activities. If our county would have been served by a larger telephone company, not only would we not have had those 20 young people working in our county but the other telecommunications people would probably have been replaced by a deposit box and call forwarding to some cable or telephone customers services location. If the interests of the smaller companies are not looked out for, rural America is going to suffer from the loss of these jobs and the community involvement of its employees.

Rural America also needs Universal Service funding. Our company serves 750 square miles. If we served exchanges with more people per square mile, it would be easy to be efficient, but we don't. Instead we serve a lot of farmers and small towns of less than 1000 people.

Universal Service Funding helps to makes it possible to get service to them and, at reasonable rates. Universal Service Funding is very important to any capital planning that is done to upgrade our network. We need to know that it is going remain consistent. If we aren't sure that it will be there, our company would have to be more selective on where we make our capital expenditures.

Universal Service Funding based upon primary lines such as some are proposing is not the answer. We are supporting networks, not lines. The cost of providing service is dependent on the network. Again, if we have no idea of the amount of support, then there is no reason to encourage investment. While there may be other means to terminate calls to the local loop in the future, they don't exist today without much of the wired local loop. VOIP and wireless still need a wired network if they are going to work. Moving funding around with the primary lines is going to hurt the other ETC's if we don't have a state of the art network. And, I am sure that the wireless ETC's in rural America would agree that it is the network that they need USF for and not the individual customer.

As a company involved in Internet, telephone, cable and wireless, we understand that we need to make some drastic changes. We should quit treating them differently and move to look at what service is being provided and treat regulation of that service the same. Today we have telephone companies regulated on the state and federal level, wireless basically at the federal level, and cable with its local franchising. Regulation of all of us needs to put on one level playing field. After that, the customer can determine the winner or the service that they want.

Small is not bad in the telecommunications business. But it is different. It is different in the sense that it is generally companies that are closer to their customer. Neil Eckles who is the owner of our company has breakfast every morning at the local café. When people wanted DSL, they knew where he was. If you had a complaint about service, you knew where he was. He communicates with his customers because of the size of our company. I don't think you can say the same for the presidents of the Bell Companies or the other larger cable or wireless companies. We are already regulated at the local level whether we like it or not by our direct contact with our customers. The emphasis of most local companies is on service within their exchange. We don't have large administrative staffs. Because of our size, we are forced to rely heavily on consultants and our telecom associations when dealing with regulators and our intercarrier agreements. The rural exemption in the 1996 Telecom bill should be strengthened for the companies in rural areas.

With the changes we are seeing today, we need to find a way to address a uniform intercarrier compensation plans. With the advent of VOIP and the heavy use of wireless phones to call long distance, the present system needs to be examined. This can no longer be done on a state by state basis. The FCC needs to move providers from the current system to one that compensates providers for the use of their networks, while seeking to minimize or eliminate arbitrage. A fair and efficient network interconnection is in the public interest. Again, the unique needs of customers of rural service providers must be addressed. Efforts need to be made to ensure carriers to interconnect each other. If this can't be accomplished through commercial negotiations then it should be resolved by regulators at commercially reasonable rates, terms and

conditions that are not discriminatory. To accomplish this, Congress must give the FCC clear direction in a new telecom law.

Along with working with intercarrier agreements, our companies in Iowa and Minnesota are experiencing a problem which might be unique to our section of the country, this has been the existence of phantom traffic, traffic that we terminate on our exchanges that is unidentified. We are required to deliver the traffic but are not being paid to do it. Our companies don't know exactly where the traffic originates from but they are getting free use of the network, or at least our portion of the network. We can only guess who it is, it may be pre-paid long distance cards, wireless, CLEC, Internet providers or other telephone companies, but we know we aren't getting paid. As the networks become more and more complex, we should make sure that those who use the networks pay for it.

Competition is not lost on rural America. Our companies have competition in our exchanges. Our access lines and our access minutes are dropping. It is a trend that is going to continue and I am not complaining. Traditional telephone service has to adapt to the new competitive marketplace that includes cable modems, VOIP, and wireless. In the competitive marketplace, we don't need more regulation, we need less. Subject to the requirements that we need to be the carrier of last resort and other social programs we provide, opening up telecommunications so that regulations over rates, interconnection agreements, and other business related regulations are lessened. I realize that the cord cannot be cut today and will require a transition time, but make it a goal to work towards deregulation.

Finally, I know that it would be difficult but I feel we need to find ways to bring back more local ownership, not municipal ownership, of telecom facilities and operations. Such ownership is closer to the customer and will be means by which we can quickly provision state of the art communications services to rural America.

These issues are critically important to rural telecommunications carriers and I urge the members of the Rural Caucus to continue to fight for rural communities and rural telecommunications carriers. Thank you for the opportunity to speak to you today.