

# RURAL

JANUARY-FEBRUARY 2013

The Magazine  
of Rural Telco  
Management

# telecom

SPECIAL  
PRODUCT  
PREVIEW  
PULLOUT

## Rising to the Challenge

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UNDER DIVIDED  
GOVERNMENT**



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SIP Feature  
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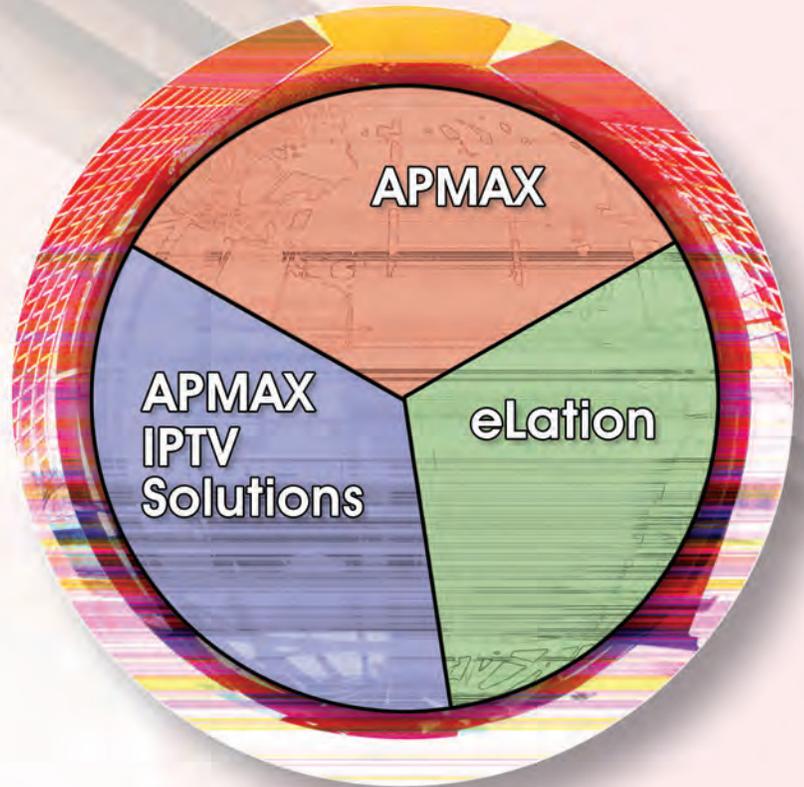
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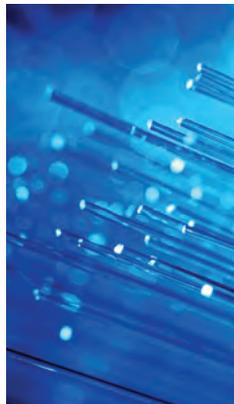
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## Rising to the Challenge: Industry Prospects Under Divided Government

*By Byron Dorgan*

The 2012 election is now in the rearview mirror. After the candidates, political parties and the super PACs spent over \$2 billion dollars on the political campaigns, American voters chose divided government. But many Americans wonder what this election will mean to them. How will it affect rural areas?

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**NTCA's Mission:** The National Telecommunications Cooperative Association, an association of small, rural, community-based communications providers, is dedicated to improving the quality of life in rural communities through the advocacy of broadband and other advanced communications infrastructure and services.

**NTCA's Members** include more than 580 small and rural locally owned and operated telephone cooperatives and commercial companies in the United States and abroad, as well as state and regional telephone associations and companies that are the suppliers of products and services to the small and rural telephone industry. Our readers are the managers, directors, attorneys and key employees of these telephone companies as well as consultants, government officials and telecommunications experts.



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## Getting to Yes: NTCA's Legislative Outlook for 2013

By Scott Lively

After witnessing millions in advertising and countless hours of campaigning on the ground, voters told Washington that they won't grant one party full control of the federal government. Congress and the president will have to figure out a way to bridge their divide and solve the nation's most difficult problems. What are the prospects in the upcoming Congress for further action on the farm bill, for cyber-security legislation and for broader telecom legislation?

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## The 411 on FirstNet

By Rachel Brown

Legislation signed into law in February 2012 directed the establishment of a First Responder Network Authority, also known as "FirstNet," to oversee the design, construction and ongoing operations of a nationwide interoperable public safety broadband network. States and telcos are now weighing whether to opt in to, or to opt out of, the network. Here's what you need to know.

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## From Call Completion to Video Content: NTCA's Regulatory Agenda for 2013

By Jesse Ward

Although Universal Service Fund (USF) and intercarrier compensation reform continue to play a large part in NTCA's regulatory agenda, the association in 2013 will actively address several other key competitive issues. These include USF contributions, call completion problems, video-content access and data roaming.

>

## Special Product Preview

Our special product preview highlights eight companies exhibiting at the Rural Telecom Industry Meeting & EXPO in Lake Buena Vista, Fla. Read about the latest products and technologies that you can see at the show, and keep the pullout guide as a resource for the rest of the year.

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**The Editorial Purpose** of Rural Telecom is threefold: to inform readers of public policy issues affecting the industry; to provide insight on developing businesses and technology; and to share expertise and experience on management, marketing and customer service.

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# NTCA

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## A Long Country Road

There is a road in my rural Pennsylvania hometown where I like to walk my dogs or go for a run when I am visiting my parents. It's funny, but after growing up in that town and visiting often over the years, I'm not really sure of the road's proper name. I have always called it "the cemetery road." Why? Because it leads to the sole cemetery in our town—nothing surprising or creative about that.

When I set out, I never know what I might experience. It's almost like I purposefully traverse that road to see who I might happen upon, or what spiritual moment I might have walking in my solitude (well, as much solitude as I can have with a black lab and a golden retriever pulling me in every direction).



I've run into old friends sharing that road for exercise. I've chatted with an elderly couple out for fresh air and I've exchange "moos" with a lone cow in a field that housed a dairy farm in my youth. Imagine my surprise when the cow responded back and walked to my side of the fence. A kindred spirit, I think.

Sometimes the only thing I hear is the quiet flow of the Clarion River down a steep drop off the right side of the road. More than once, a random dog must inform my dogs of his territory by barking loudly.

I like to think that every rural community has a cemetery road—a road with a nickname that most folks recognize and use fondly, a road that has some mystery and character and that delivers solitude to those who need it or unexpected moments to others.

With a cemetery road, you never know what will happen around the next turn or who you might encounter. I like to think that my country road is a lot like rural telecom has been this past year—a long and winding path. We weren't sure what we'd find along the way. We met folks who we agreed with and some we didn't. It's a road we know well because rural telecom has gone down unknown paths before. We've faced the challenges of changing policy and its impact on your ability to serve your communities and consumers. You were surprised by a turn in the road that was unexpected.

Back on my cemetery road, I like to walk to the end and visit those who have passed on. My mother often asks when I return from one of my walks, "How are all the dead people?" I go there to be reminded of those who came before me and to recall their smiles, jokes or shared experiences.

Like my cemetery road, the rural telecom road is traveled by people who impact you. I feel that way about Wendel Myers, general manager for many years at Grand River Mutual Telephone Corp. A quiet, unassuming man, Wendel passed away in November. He left behind a legacy of innovation, strength and dedication to his community and ours. I'm glad that he was on my road and that I had the opportunity to know him.

Moving ahead into a new year, this issue of the magazine takes a look at our road ahead for regulatory and legislative policy. It's time for us to take that next turn in our country road and face the future with innovation, enthusiasm and opportunity.

A handwritten signature in black ink that reads "Wendy Mann".

Wendy Mann  
Director, Communications  
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## ROBOTS: OUR FUTURE CARETAKERS?

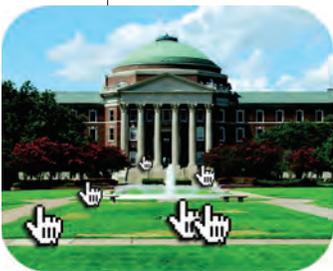
Independent telcos exploring tele-health options might consider ... robots!

Robots with human characteristics, or "social robots," are connecting with humans in ways that could revolutionize future human interaction, for good or ill. More than 100 models of social robots now exist, helping patients with physical rehabilitation, nursing and housekeeping.

In Japan, robots are widely used in the field of elder care. As populations age, fewer human caregivers are expected to meet the need. Although technology experts worry about the lack of real human interaction as people grow older, a survey of 43 studies published in *Gerontology* magazine showed that robots eased stress and heightened positive moods in study subjects.

►Source: [www.psmag.com](http://www.psmag.com)

## The Higher Education Revolution



The transformation in higher education is being compared with an earlier education revolution—correspondence courses offered through the postal system—as universities find students far beyond their campuses. The Internet now is allowing MIT, Harvard,

Stanford, Princeton and other universities to bring their massive open online courses (MOOCs) to eager students in remote places.

Nicolas Carr, author of "The Shallows: What the Internet Is Doing to Our Brains," sees pluses and minuses in the burgeoning world of online education. An obvious plus is costs: Online education is more affordable than the \$100,000 price tag of today's bachelor's degree. But Carr cites Wheaton College English Professor Alan Jacobs as saying classroom encounters can't be replicated online.

►Source: [www.technologyreview.com](http://www.technologyreview.com)

## A Bumpy Ride for Wi-Fi on the Rails

Amtrak's Northeast corridor is a popular mode of transportation for workers who prefer alternatives to flying, but as those workers become increasingly tied to wireless devices, they're finding Amtrak's Wi-Fi service a drawback. The trains' wireless service has taken a beating on Twitter from frustrated riders who can't connect, or who can't get a strong signal.

Amtrak's wireless service comes from cell towers near the tracks. Those towers work with routers in certain Amtrak cars. But the handoff can be shaky.

Riders are wondering why Amtrak invested so heavily in advertising a problematic offering that frustrates so many riders.

►Source: [www.travel.nytimes.com](http://www.travel.nytimes.com)



## Is There a Place for Music in the Cubicle?

If your workers are struggling to focus, a little music might help. That's the finding of recent research by Teresa Lesiuk, an assistant professor at the University of Miami. Her study of information technology workers showed that listening to music helped them complete tasks more quickly and put them in a better mood than that of their co-workers.

Musical melodies can trigger the release of dopamine, stimulating the brain's reward center.

Lesiuk found that moderately skilled workers benefited the most from listening to music while working, while experts profited the least. Older workers listen to music less than do younger workers, and brand-new participants in the workforce were the most distracted by listening to music while working.

►Source: [www.nytimes.com](http://www.nytimes.com)



## Pen and Paper vs. Computers in the Classroom

Students in the classroom need to sharpen their pencils and leave their laptops at home—unless they can follow strict rules for in-class use of their computers.



That's the view of Dr. Stephen Von Wyrick, a professor at the University of Mary Hardin-Baylor, who allows students to use laptops for note-taking during his classes only if they follow strict guidelines. Few opt to follow the guidelines; instead, they settle for old-fashioned pens (or pencils) and paper.

Von Wyrick is among a growing number of teachers who have found that too many students use technology as a distraction during class lectures, accessing social-media sites and other online content when they should be engaged with the lecture material.

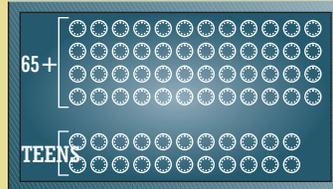
Other teachers have adopted an open approach to the use of laptops in the classroom, allowing students to

use computers until the teacher sees them using the devices for entertainment rather than education. "Technology can be helpful when used correctly, so I tend to allow the use of computers when the class is more mature, wanting to learn," said Dr. Steve Armstrong, a math professor at LeTourneau University. "I'll allow students to have their laptops open and on until I see them abuse this privilege."

►Source: [www.worldoncampus.com](http://www.worldoncampus.com)

## TV Use High for Those Who Don't Receive Signals

TV WATCHING (HOURS PER WEEK)



An estimated 5 million homes don't receive TV signals over the air, through cable or via satellite. But these residents watch TV regularly, using their sets to play games, view DVDs and stream video through Netflix, Apple TV or similar services.

Nielsen reported that the decline in households that receive TV signals—the figure has dropped from more than 99% last decade to less than 96% now—can be partly explained by the economic downturn, but it's also being driven by younger viewers who have changed the way Nielsen tracks TV consumption habits. While people over age 65 watch upward of 48 hours of TV each week, teenagers watch just 22 hours per week.

Overall, consumers spent approximately 2% less time in the first quarter of 2012 watching TV programming delivered in a traditional manner than they did during the comparable period in 2011, but they spent much more time watching video content delivered to their TVs via the Internet, DVRs, computers or mobile devices.

►Source: <http://www.boston.com>

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## Fighting the Customer-Service Battle on Twitter

Twitter's searchability makes criticism easy to find, so some companies are making sure their response to complaint tweets also can be easily seen.

After a Maids in Black customer tweeted to more than 12,000 followers that no one from the company showed up at an appointed time, the company's founder responded within a half hour with a Twitter apology. The cleaning service, which receives 10%–15% of its customers through Twitter mentions, could ill afford to let such criticism stand.

Larger companies such as electronics retailer Best Buy and utility Pepco have followed the same strategy.

Source: [www.washingtonpost.com](http://www.washingtonpost.com)

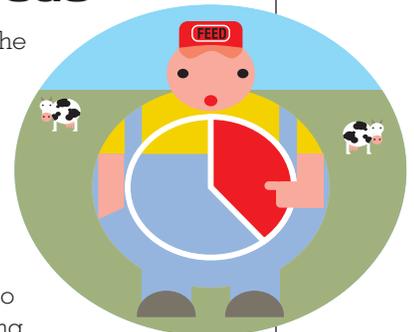
## Obesity Disproportionately Hits Rural Areas

New research published in the Fall 2012 Journal of Rural Health says rural residents are more likely to be obese than those living in urban areas. Two factors—cultural diet and physical isolation—play into the disparity. Rural residents also have more difficulty accessing health care, said Christie Befort,

Ph.D., at the University of Kansas, who led the study.

Befort concluded that physical activity is necessary to overcome dietary and technological disadvantages in rural America, and she cited research that shows that the obesity gap between urban and rural residents is more prominent among younger Americans (age 20–39) than it is in older age groups.

►Source: <http://abcnews.go.com/Health>



## Building Blocks for 2013 and Beyond



It's hard to believe it's been 12 months since I expressed in this column NTCA's unwavering commitment to fighting on behalf of rural telcos in what promised to be a critical year for our industry's sustainability. Reflecting on those words now, I'm reminded of just how much uncertainty we faced as our industry stared down unprecedented changes to the cost-recovery mechanisms that have supported universal telecommunications services for decades.

A year later, the picture is beginning to become clearer, but in many ways our understanding of the reformed regulatory structures now in place has created more questions than answers about the future of rural telecom. With a second term secured, our hope is that President Barack Obama and his administration will redouble efforts to embrace policies that yield more regulatory certainty and recognize the importance of robust broadband access to the success of the nation as a whole. But with fiscal issues looming large, it's hard to know how much proverbial bandwidth this administration will have for these issues in the near term.

This past year certainly was full of pivotal moments as we faced head-on the challenges arising from implementation of Universal Service Fund and intercarrier compensation reforms. One could argue we spent much of 2012 trying to untangle the complex rule changes adopted in 2011. NTCA staff alone has conducted more than 100 *ex parte* meetings with FCC staff and countless Hill briefings since January 1, 2012. Together with our rural allies, we carried out a successful public relations effort through the Save Rural Broadband campaign. And we took our message to the most influential players in federal policymaking, including several White House advisers and the secretary of agriculture.

But the point of those many meetings was not just to fight the FCC's misguided reforms. We were also laying the groundwork for a much longer battle ahead—a battle that, frankly, we've been fighting for more than 50 years. I'm talking, of course, about our fight for rural America and its continued prosperity through reliable and affordable advanced telecommunications. There are plenty of reasons for us to keep the heat on next year: Our national telecommunications structure is undergoing a dramatic transformation to IP-based technologies. Pressure is mounting for federal regulators to push forward a policy framework that sup-

ports this network transformation and eliminates so-called "legacy" regulations. And many are positioning this IP-enabled future as the key ingredient to move our lagging economic recovery into overdrive.

Some believe the best path forward is to wipe away all regulation of telecommunications and let market forces guide our deployment and interconnection activities in the future. We at NTCA believe that a simple and progressive approach that targets the biggest challenges of delivering rural broadband and gives telcos the ability to participate meaningfully in an IP-enabled future is a better solution. And that is what we will be fighting for in 2013. We have a busy year ahead of us, but I sincerely believe that with the relationships we have created over many years, we are well positioned to engage our policymakers to develop thoughtful solutions that build upon the best of what has worked in the past and that also incorporate creative ways to overcome the ongoing challenges of operating in rural areas.

Our fight is about so much more than just fixing anything that happened previously. It's about building a future for our industry and the millions of consumers who are counting on us. ■

*Shirley Bloomfield is chief executive officer of NTCA. She can be reached at [sbloomfield@ntca.org](mailto:sbloomfield@ntca.org).*



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## Turning the Page

Elsewhere in this issue, my colleague Jesse Ward looks ahead to NTCA's 2013 regulatory agenda. As that article shows, from a heavy focus on the Universal Service Fund (USF) and intercarrier compensation (ICC) reform to keeping a watchful eye on issues like video content and data roaming, NTCA is leaving no stone unturned in fighting for telcos and the consumers they serve in the most rural and remote parts of America.

Let me add my own thoughts about NTCA's policy vision for the year ahead. By necessity, we've spent much of 2012 trying to make sense of and untangle what happened in late 2011. To be clear, the FCC did not do a lot of what had been proposed in the national broadband plan. But it's hard to square the new caps, cuts and constraints, and lingering regulatory uncertainty with modernizing the USF and ICC mechanisms and promoting rural broadband investment.

To address these concerns, NTCA and its committed members have been doing everything we can. We've been in the halls of the FCC and Congress almost daily; we've been generating "surround sound" from other corners such as the White House and third-party groups; and we've gone to court to challenge the most troubling aspects of the FCC's order.

In 2013 we must be ready to "turn the page" and also "get ahead of the game." We have to be proactive rather than reactive. We have to present a progressive and easy-to-understand action plan for addressing the greatest challenges of providing rural broadband. This isn't to say we won't continue to challenge the reforms just adopted. That remains a central part of our advocacy. But in 2013, we can't be perceived as asking policymakers to put things back the way they were. In Washington, any argument that focuses merely on "preserving" something risks losing the audience before you get to the merits. Moreover, many of the challenges telcos face weren't created by reform—they existed before and haven't been addressed yet in the process.

This is why NTCA has focused in recent months on presenting a thoughtful case for what forward-looking programs are needed to promote rural broadband. Telcos are "agents of change" in their communities, delivering cutting-edge services, responding to consumer demand and enabling economic development. We need telcos to be seen as agents of change by policymakers, too, by presenting progressive solutions that, while building upon the best of what has worked before, are also positioned for the future.

To this end, NTCA filed an "IP evolution" rulemaking petition that, among other things, proposes a straightforward plan to allow telcos to get support for selling broadband without also requiring consumers to take legacy voice services. Our petition also highlights the fact that as bandwidth demand increases, middle mile capacity becomes a costly bottleneck. Finally, NTCA's petition suggests that the FCC needs to think about new ways in an IP-enabled environment to ensure that cost-causers pay their fair share for network utilization.

Regulatory frameworks are evolving, and as telcos know all too well through their own network investments, technology doesn't allow anyone to stand still. We have to tackle change head-on and solve the needs of rural consumers in a broadband era. The NTCA Board of Directors and policy committees are devoting a significant amount of time to developing and advocating for these action plans, and we stand ready to seize our window of opportunity to turn the page in 2013. ■



Michael Romano is NTCA's senior vice president of policy. He can be reached at [mromano@ntca.org](mailto:mromano@ntca.org).

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Rising to  
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BY BYRON DORGAN

## INDUSTRY PROSPECTS UNDER DIVIDED GOVERNMENT

# Challenge

Finally, the crowd noise of democracy has faded away, and we can view the 2012 election in the rearview mirror. But the result demands the question, Now what?

The American people made their choices about the government they wanted. After the candidates, political parties and the super PACs spent over \$2 billion on the political campaigns, American voters chose divided government.

President Barack Obama is a Democrat while the Congress remains split, with Republicans in charge of the U.S. House of Representatives and a Democrat majority in the U.S. Senate. That hasn't worked well for the last four years, so this might be a triumph of hope over experience. We'll see!

One thing is certain. The kind of raw, angry politics we've seen in our country in recent times will not disappear overnight.

But those politicians who were elected and re-elected in November can't be oblivious to how upset the American people are about the partisan gridlock and inability of the two political parties to work together. Maybe, just maybe, they will understand their jeopardy if they don't change. And maybe things will change for the better.





People aren't asking for the moon. All they want is an honest effort by both political parties to agree on solutions that will help our country.

The election showed once again how intensely the political candidates focus on the big cities and the population centers. That's where the voters are. One political consultant described it by saying, "You pick cherries where cherries is."

But when the campaigns are over, many Americans who don't live in urban America wonder what this election will mean to them. How will it affect rural areas?

### The Impact on Rural America

I grew up in a town of 300 people, and I know there are plenty of people living in the sparsely populated areas in small towns and on family farms today who are trying to gauge what might happen to them as a result of this election.

**There are some major public policies that affect all Americans the same way. And the solution to those big, overriding issues is important to the people who live in urban and rural areas.**

There are some major public policies that affect all Americans the same way. And the solution to those big, overriding issues is important to the people who live in urban and rural areas.

For example, the federal budget deficits and crushing debt threaten the economic future of all Americans no matter where they live. And the fact is these deficits aren't caused by some mysterious illness for which there is no cure. Our fiscal policy problems can be fixed by cutting spending where necessary and raising revenue where needed. Balancing the budget is just a matter of will. All of our elected leaders have a stake in making that happen.

Other big policy issues that affect all of us include reducing burgeoning health care costs, finding ways to improve our schools and rebuilding our crumbling infrastructure. These issues are also solvable if people with common sense will work together.

In addition to those big issues, there are some policy areas that have a special impact on citizens who live in the more rural areas of our country. Telecommunications policies, an energy plan and the farm bill are all issues that especially affect rural states, small towns and family farms.

### Staying Connected

Living in a rural or remote area of the country can be wonderful. Not much traffic, good neighbors, great places to raise kids. But it's also challenging to keep in touch and stay connected in this age of breathtaking changes brought about by the Internet and telecom.

For many decades our country has committed to the principle of "universal service" for telecommunications, meaning that everybody should be able to get comparable telecom service at an affordable price.

However, new rules just adopted by the FCC threaten that promise and could undermine the ability of rural areas to have access to things like distance education, telemedicine services and much more.

It's a battle we can't afford to lose. With the president just re-elected, we need to convince the administration to get this right and keep the promise of "universal service" for people living in rural America. Our country can't move ahead by leaving some behind.

### Energy Security

The U.S. economic engine runs on energy. Lots of it! And no part of the United States is more reliant on a good energy plan than those who live and work in rural areas. Those who farm the land are big users of energy. They have to keep gasoline and diesel in those farm fuel tanks from spring planting to fall harvest. And rural state residents drive longer distances and use more fuel just to meet their daily needs. So for rural residents, affordable and reliable energy supplies are critical.

The new discovery of oil and natural gas is good news for our country. But despite the new supplies, we still import 45% of the oil we need to run our economy.

We need to produce more diverse sources of energy. That means we need to continue developing renewable and clean energy that comes from sun and the wind. We need to build transmission that will transport that renewable, clean energy from where it is produced to the load centers that need it. And we need to continue our commitment to producing biofuels. Our country now uses nearly 140 billion gallons of gasoline a year. Today nearly 10% of that comes from ethanol. That is a big success. We need to continue to increase that production and make more progress in producing biodiesel as well.

With leadership from the president and with at least some cooperation from Congress, the American people should be able to expect the passage of energy legislation that will continue the development of our oil and gas reserves, but also create a renewable and clean energy standard that will mandate more production of renewable energy. That will not only create more energy security for our country, but it will also create a large number of new jobs in rural America.

### A Farm Program for Family Farmers

2012 was the year Congress was supposed to write a new farm bill. It tried but failed. So it extended the current program with the promise it will pass a new farm program in 2013.

Although farmers have done well in recent years with record production in many areas coupled with strong

commodity prices, it remains important to have a federal farm program that provides a strong safety net for family farmers during tough times.

Anyone who lives in rural America knows that tough times will come again.

But it's important that Congress make some courageous choices to pare back the costs of the farm program by shutting down the spigot that sends a lot of the taxpayer money to the largest corporate farms that don't need the help. In some parts of the country, there are multimillion-dollar corporate farms that are farming for dollars, not crops. Those who pocket the money have never had dirt under their fingernails.

The proposed farm bill Congress worked on in 2012 would have fallen far short of effectively targeting the farm program spending to family farms. When they write the new bill this year they need to enact stronger payment limits to make sure that support prices during tough times and subsidies for crop insurance premiums are targeted to help support family farms. That was the original purpose of the farm program.

If Congress doesn't start limiting farm program payments to those who truly need the help—namely family farmers—there will come a time when the American taxpayers will decide they don't want to pay for a farm program that sends the biggest payments to those who were never intended to receive taxpayer subsidies.

The farm bill is beneficial to the economy of rural America, and if the Congress will only use some common sense it should be able to get a good farm bill enacted with bipartisan support in 2013.

### A Triumph of Hope

Our country has had a rough time in recent years. There is a nagging feeling that America has lost the spring in its step and that its best days might be behind it.

But a look at history tells us a different story.

We've faced big challenges in the past and have always risen to meet them.

Every new generation of Americans has asked the question, Where will the leadership come from? And the answer to that question has always come in the form of men and women from all across America who have stepped forward to lead during difficult times.

That leadership arrived during a civil war, in the trough of the Great Depression and in every other troubled time since. And it will again.

Hope is a powerful thing. Our country does not have a history of facing the future with uncertainty and despondency. Quite the contrary! Our legacy is that we know we can create a better future. We always have—and we always will.

So as we contemplate the results of the recent election, whether we live in urban or rural America, we should take inspiration from the proud legacy of our country to meet adversity and overcome it. That's what I see ahead for America. I believe our best days remain ahead of us. ■

*Byron Dorgan is a former senator from North Dakota. Send questions or comments on this article to [publications@ntca.org](mailto:publications@ntca.org).*





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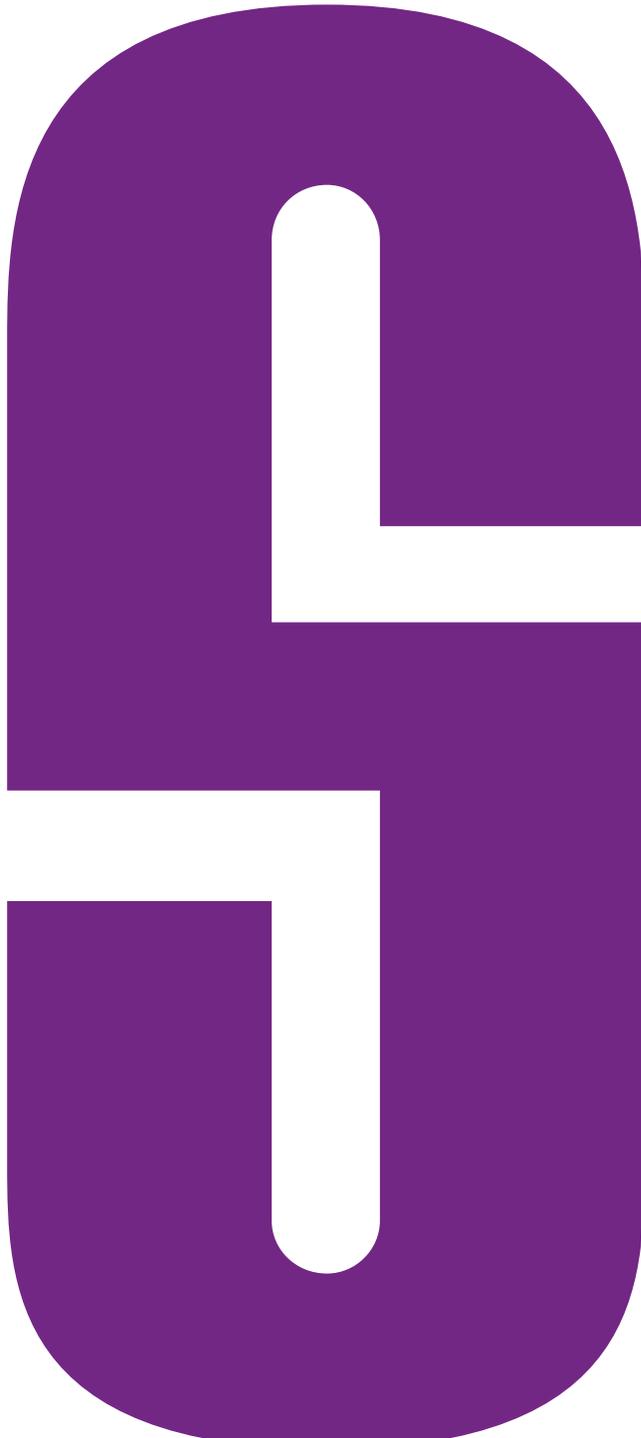
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## NTCA's Legislative Outlook for 2013

BY SCOTT LIVELY

After a tumultuous two years that saw a 50-year low in the passage of new legislation into law and the enactment of the Budget Control Act that effectively postponed a bitterly contested budget battle until this year, the 2012 elections left us with a Democratic White House and Senate, and a Republican House—the status quo from the previous two years. After witnessing millions in

advertising and countless hours of campaigning on the ground, voters told Washington that they won't grant one party full control of the federal government. Congress and the president will have to figure out a way to bridge the divide and solve the nation's most difficult problems.

Now that Washington faces a mountain of challenging work after punting most tough votes until after the election, the question is, Can the two parties govern together? The question remains even after Congress passed the American Taxpayer Relief Act early in the new year to make income tax rates permanent for most Americans and address a host of other important issues. Those include a permanent estate tax and capital gains rate reforms to one-year extensions of unemployment benefits and business equipment depreciation. Yet Congress still must decide how to address the looming \$1.2 trillion cut also known as sequestration that the Budget Control Act of 2011 set into motion and the Taxpayer Relief Act postponed until early March. Many members claim they will not simply stop sequestration with nothing in return because it represents their best hope to move comprehensive tax code, spending and entitlement reforms. What difficult decisions will Congress have to make on these complex, controversial issues in order to forgo sequestration? Will a deal to stop sequestration address the looming debt ceiling and the now regular battles over raising it so the government can pay its debts? If so, will Congress and the president have any desire to move on to other difficult matters such as funding the government for fiscal year 2013, to say nothing of telecom legislation?







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## Many in the telecom industry have called for a rewrite of the 1996 Telecom Act, and Congress began this process in 2012 with hearings on video issues.

failed to reach an agreement. The dispute is over whether to authorize the Department of Homeland Security or another federal agency to promulgate mandatory security standards for critical infrastructure owners and conduct audits to ensure compliance. Most Democrats, with some support from the defense and homeland security communities insist that security standards are essential to securing America's critical infrastructure, while Republicans strongly oppose any new mandates as government intrusion in the private sector. They prefer to focus on opening channels of communication for the government and private industry to share information on cyber threats and best practices.

Though it remains unclear whether new mandates would apply to small, rural providers, NTCA opposed any mandatory security standards due to the additional cost in the wake of the FCC's devastating USF/intercarrier compensation (ICC) reforms and the further uncertainty members would face while waiting to learn if they'd have to comply with new mandates. After Senate Republicans blocked a compromise bill to incentivize adoption of security standards for fear that agencies would make the standards effectively mandatory, the president began working on an executive order to direct agencies to do what they can to promote cybersecurity. Though Sen. Reid promised to revisit cyber legislation during the lame-duck session, Congress will resume work on the issue in 2013. The security mandates will continue to represent a major stumbling block to passing anything.

Many in the telecom industry have called for a rewrite of the 1996 Telecom Act, and Congress began this process in 2012 with hearings on video issues. Hearings on various telecom issues will likely continue over the next two years, plus the reauthorization of the Satellite Television Extension and Localism Act of 2010—set to expire December 31, 2014—will present opportunities to amend video distribution laws. However, any major changes to the 1996 Act or the 1992 Cable Act will probably be debated over several years and may have to wait for a future Congress that is not starting out in crisis mode. Even then, the modern-day legislative environment may not be capable of producing legislation as comprehensive as the 1996 Telecom Act. The only major telecom legislation to become law in the last two years—the spectrum

of spectrum provisions in early 2012 to create a nationwide public safety broadband network and free up spectrum for mobile broadband.

Also, the House and Senate both extensively debated cybersecurity legislation but again

provisions—passed as part of a larger tax cut bill that sought to fund and construct a public safety network and clear the way for more robust mobile broadband service—all things that garnered very broad support from both parties and much of the telecom industry. Standalone telecom legislation will not fare as well when the industry is fighting tooth-and-nail over every provision, and when the benefit to the U.S. Treasury is not so clear.

### USF/ICC Reform in Congress

In addition to extensive advocacy in the 112th Congress from NTCA and its members that produced a series of letters from Congress to the FCC and a number of hearings that shone a light on the FCC's destructive USF/ICC reforms, NTCA has also been looking for legislative solutions to USF reform that are realistic in light of the sparse legislating in Congress these days. After promising USF legislation from Rep. Lee Terry (R-Neb.) and former Rep. Rick Boucher (D-Va.) was introduced in 2010 and garnered broad support from NTCA and the telecom industry, the atmosphere quickly turned sour in 2011, with influential members advocating for a hard cap on the high-cost fund and reverse auctions in every rural service area. Some congressmen even proposed using USF monies to pay down the deficit, an idea NTCA strongly and successfully opposed as illegal and unwise. This environment forced the rural industry to look for narrower legislative solutions, such as riders, to larger must-pass bills that could potentially address the most damaging portions of the FCC's reforms. Even these initiatives have proven very difficult to enact, and it won't get any easier in the 113th Congress.

Rep. Jeff Landry (R-La.) introduced a bill as Congress recessed for the elections that would stop the FCC's retroactive and unpredictable high-cost caps and force the agency to look for more sound reform alternatives. Rural allies could attempt to move similar language in 2013 as part of a larger bill to fund the government. The effort is a long shot, but it puts the FCC on notice that Congress is aware of the flaws in the USF reforms and is prepared to do something about it if the agency won't, thus keeping the FCC amenable to further discussions about improving USF reform.

### The Race for the Gavels

The end results in the scramble for key committee leadership posts will greatly influence the legislative environment for the rural telecom industry. House Energy and Commerce Subcommittee on Communications and Technology Chairman Greg Walden's (R-Ore.) will retain his subcommittee gavel and take over the House GOP campaign committee. Under Walden's continued leadership, the subcommittee will likely continue to focus on spectrum and FCC process reform, with some discussion of rewriting the Telecom Act. The House Agriculture

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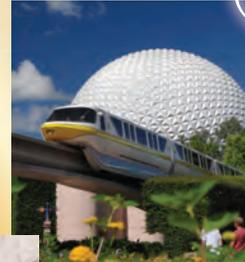
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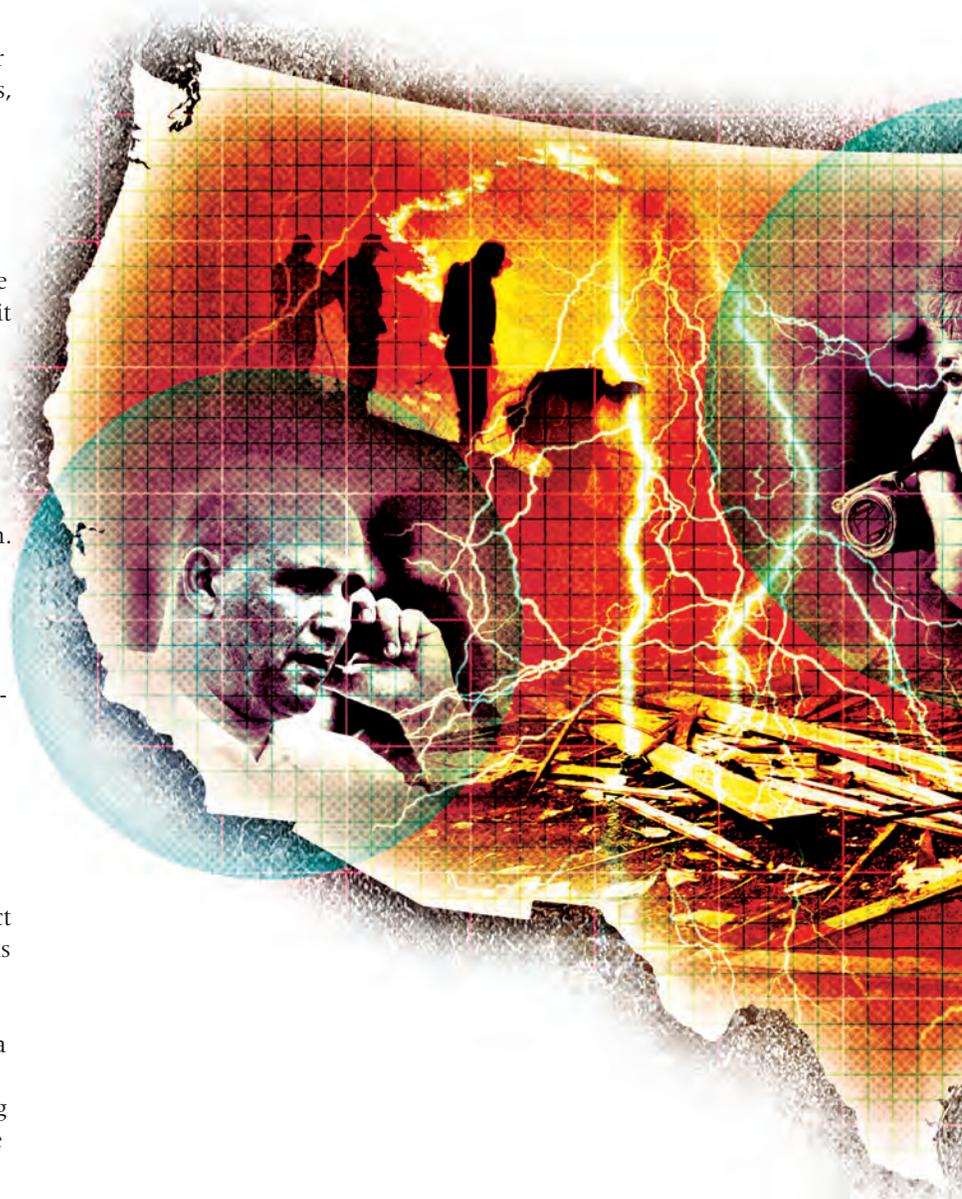
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# The 411 on FirstNet

While this has been the historic norm ever since the formation of police departments, fire departments, paramedic units and other first responder groups, September 11, 2001, highlighted the communications breakdown caused by these interconnectivity and bandwidth issues.

“On 9/11, the failure was not with the equipment or with the first responders, it was with the decision-makers who decided not to have interoperability,” explained Brian Fontes, chief executive officer of the National Emergency Number Association (NENA), a professional organization focused on 911 policy, technology, operations and education. He added that since 9/11, the country has suffered other major disasters, including Hurricane Katrina (and other lesser hurricanes), tornadoes and earthquakes, all reinforcing the need for interconnectivity and interoperability on a network that does not get congested.

With that goal in mind, public safety legislation was inserted in the Middle Class Tax Relief and Job Creation Act of 2012 (H.R. 3630) and was signed into law in February 2012. Specifically, the act directed the National Telecommunications Information Administration (NTIA) to establish a First Responder Network Authority, also known as “FirstNet,” as a 15-member independent agency to oversee the design, construction and ongoing operations of a nationwide interoperable public safety broadband network. (See sidebar, “What Is FirstNet?” for more details on FirstNet.)



BY RACHEL BROWN

Imagine a construction site where multiple crews show up to work. They all speak different languages and have different equipment and tools. It's urgent—perhaps even a matter of life and death—that they complete their work as efficiently and as quickly as possible. Also, there may not be enough building materials. This modern-day Tower of Babel illustrates the current state of public safety communications, where different first responder units operate their own individual gear at varying frequencies—and, in times of disaster, possibly without enough bandwidth.



Despite its widespread appeal and backing, this legislation was not enacted until more than a decade after the terrorist attacks of 2001. The Public Safety Spectrum Trust, a nonprofit group established to provide organizational structure to further the goal of an interoperable public safety network, tried to form a public safety network five to seven years ago, explained Tim Bryan—chief executive officer of the National Rural Telecommunications Cooperative (NRTC), a group that represents rural electric and telephone utilities. Bryan is serving a three-year term as a board member of FirstNet. “But there were three key things missing that we now have—a license for the spectrum from the FCC; a committed source of funding; and a worldwide convergence on LTE [Long Term Evolution] as a technology,” he said, pointing out that LTE technology enables relatively fast network deployment. “Verizon rolled out its entire LTE network in two to three years.”

Still, the naturally slow progress of bureaucracy has many wondering about the timeline and realization of FirstNet. The National Governors Association (NGA)—an avid proponent and tracker of FirstNet—said it does not anticipate FirstNet to even have its plans for construction finalized until late 2014 at the earliest.

“The FirstNet board was named in August [2012]; they held their first meeting in September,” explained Heather Hogsett, director of the Health and Homeland Security Committee for NGA. ▶



# What Is FirstNet

In the legislation passed in February 2012, the National Telecommunications Information Administration (NTIA) was directed to establish a First Responder Network Authority (FirstNet). It is not a network per se, but rather a 15-member independent agency that will oversee the design, deployment and ongoing operations of a nationwide wireless broadband network. "It will enable first responders to better communicate with each other during emergencies, improve response time and save lives," stated NTIA.

Specifically, the FirstNet board is charged with seven responsibilities:

- 1** Hold the spectrum license for FirstNet.
- 2** Develop a plan for network buildout, maintenance and sustained operations in each state.
- 3** Ensure nationwide standards for network use and access.
- 4** Deliver economies of scale for public safety entities.
- 5** Negotiate roaming agreements with commercial networks.
- 6** Formulate a fee collection system to ensure self-sufficiency.
- 7** Consult with local, state, tribal, territorial and federal entities.

To ensure adequate spectrum, the law stipulated that the FCC grant a single license to FirstNet for the use of the 700 MHz D block, which is adjacent to the existing public safety spectrum, giving the public safety sector a combined 22 MHz of continuous spectrum. To foster interoperability, the network will be based on the Long Term Evolution (LTE) standard.

Congress allocated \$7 billion for the buildout of the network, with \$2 billion of that amount available to be borrowed by NTIA as startup cash. The remaining \$5 billion is expected to come from the proceeds of spectrum auctions that will run through 2022.

## Seize the Opportunities With FirstNet

While it's still too early to determine how FirstNet will impact small telcos' day-to-day operations, telco executives should capitalize on the potential opportunities it presents to their operations, stated Ron Strecker, former chief executive officer of Panhandle Telephone Cooperative Inc. (Guymon, Okla.), as well as a member of the now-disbanded Technical Advisory Board for First Responder Interoperability.

Strecker outlined the following three possible ways to profitably get involved in FirstNet:

- 1** If a telco has an LTE network, it can work out roaming arrangements either with FirstNet or with states that are building their own interoperable networks.
- 2** If a telco does not have a wireless system, it could partner with a private entity to build one and possibly use or resell unused spectrum.
- 3** Lay fiber and provide backhaul services.

"It will need to put together RFPs [requests for proposals] and then go to each state governor to spell out how the network will be implemented in that state. This likely won't happen until 2014 or 2015."

Before any plan is delivered, FirstNet's Bryan said the board must talk to all of the various players. "States, cities, public service, carriers—it's important that we talk to all of them," he said. "The more folks who are involved, the more folks will be on board with the cost, timeline and scope of this project. This is our first order of business, and I expect it will take us two to four months."

## States Might Opt Out

Once the individual state governors have their proposals in hand, they have 90 days to decide if they want to opt in or opt out of FirstNet, Hogsett explained. "If they choose to opt out, they must file their own alternate plans with the FCC, they must lease spectrum via NTIA, and apply for grants—all within 180 days. That's a high bar and a tight time frame to opt out."

NGA said it believes that most states will want to opt in. "The governors pushed and lobbied for this legislation for years," Hogsett said. "They see a need for a nationwide broadband network. To be successful, FirstNet will need as many users as possible to bring down the cost."

Ron Strecker—former chief executive officer of Panhandle Telephone Cooperative Inc. (Guymon, Okla.), as well as a member of the now-disbanded Technical Advisory Board for First Responder Interoperability—said he wouldn't be surprised if many states opt out of FirstNet because the individual states want to have control of their own networks. "When you rely on Big Brother to come in, you often find that things aren't done the way you'd want it done," he said. He's heard rumors that Texas and Florida are considering opting out, as well as the cities of Charlotte, S.C., and Boulder, Colo.

NGA's Hogsett said certain cities and jurisdictions may be moving ahead of FirstNet with their own broadband public safety networks, but she stressed that they will still need to interoperate with the national network. "Think of these as pilot areas that may later get consumed by FirstNet," she said, adding that many states are in the process of gathering their own information to identify alternatives. "So once they do have FirstNet's proposal in hand, they have something to compare it to."

Brent Christensen, president of the Minnesota Telecom Alliance (St. Paul), said the state is definitely going to go with FirstNet. "We know we want to get on board and will not opt out," he said, pointing

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out that Minnesota is besieged with natural disasters like blizzards and tornadoes. "In 2007, when the Interstate 35 bridge collapsed in Minneapolis, the emergency response units arrived on the scene. Department of Transportation, ambulances, fire departments, police, county and city officials—no one was on the same network, and there was a large issue with bandwidth."

### Will Telcos Opt In?

Regardless of what the states decide, Strecker advocated that small telephone companies should opt in to the numerous opportunities that FirstNet represents to them. "Congress is encouraging FirstNet to form public/private partnerships and to allow roaming on existing networks," Strecker said, adding that roaming would be a better solution than overbuilding a network that already exists. "If NTCA members already have LTE networks, they can work out roaming deals with either FirstNet or with states that may opt out of FirstNet."

If small telcos don't have a wireless system, they could partner with a private entity and build one, Strecker said. "Any unused spectrum could then be resold in a retail environment or perhaps just used for the telco's own internal purposes," he said, adding that it's currently unclear how unused spectrum will be handled.

At the very least, small telcos could provide backhaul services to FirstNet. "That network is going to need a lot of fiber to connect towers and then haul that data back to the gateway," he said.

NRTC's Bryan agreed that he sees all of these opportunities, pointing out that rural telcos have extensive infrastructure. "They have towers, fiber, poles," he said. "As we work through the collaboration process with rural telcos, we see them being involved in terms of providing wireless services in their territories."

Sid Applin, general manager of Alenco Communications (Joshua, Texas), admitted that FirstNet hasn't made it onto his radar screen, but he said his telco would be open to pursuing opportunities. "We have not built an LTE network. Our focus is more on deploying fiber," he said, adding that he would not be averse to laying the fiber for FirstNet and being a backhaul provider. "We'll backhaul any traffic."

Alenco serves 60 miles of the Mexican border, "so we're already working with border patrol, and we would expect to see more of that activity," Applin said. "In terms of

natural disasters, west Texas is prone to fires, central Texas has tornadoes and south Texas gets the fallout from hurricanes."

Applin said he agrees with the premise that first responders need a robust communications system, adding that he could envision state or federal agents contacting the telco to help build a network. "There's no one else out here except us," he said. "That's likely the situation in rural areas in other states."

### Some Concerns

Other telcos are less receptive to the idea of working with the federal government on a national network.

"The government always seems to be trying to put in fiber networks right alongside telco networks 'for the good of the people,'" said Craig Otterness, general manager of Spring Grove Communications (Spring Grove, Minn.). "Are they going to start using these taxpayer towers to compete against us?"

Carl Turnley, vice president of Kaplan Telephone Co. (Kaplan, La.), said he's also wary of what will happen when the federal government gets involved. "Public safety issues tend to pull at the heartstrings, and everyone feels good throwing money at them," he said. "It's one thing for the federal government to dole out millions of investment capital up front, but then who's going to upgrade that equipment? Who's going to do the maintenance on that? Who's going to provide the training so the first responders can even use it?"

A network like FirstNet may be a good solution for potential terrorist sites, such as the 20 largest U.S. cities, Turnley said, but he questioned if it makes sense in rural America. "Public safety is a local and state issue. We need to focus on our local systems," he said, adding that the public safety communications system in Louisiana is more advanced than other areas of the country. "If a hurricane makes it past Cuba, we've got a very good protocol to handle that. The first responders hunker down, and we work with them to set up a redundant system. It's like a military operation run by Bruce Willis."

Even with a sophisticated system like the one Kaplan has in place, Turnley said it has been necessary to make adjustments on the fly—something that may be impossible to do with a federally mandated system. "Any communications system can break down," he said. "We've had times when a hurricane tore down a tower, so we set

**"Congress is encouraging FirstNet to form public/private partnerships and to allow roaming on existing networks. ... If NTCA [National Telecommunications Cooperative Association] members already have LTE [Long Term Evolution] networks, they can work out roaming deals with either FirstNet or with states that may opt out of FirstNet."**

—Ron Strecker, former CEO of Panhandle Telephone Cooperative Inc.

up a two-way radio system. We've even used walkie talkies."

NENA's Fontes said FirstNet will give first responders a better tool to do their jobs. "Everyone wants our first responders to have the best equipment," he said. "Every day of our lives, we rely on them. They never know what they're going to be facing. During disasters, they must leave their own families to go and help others. Communication is another tool."

While first responders are our modern-day good Samaritans, the successful implementation and use of FirstNet resides with them, Fontes said. "FirstNet represents a sea change in public safety," he said. "In this new world, the first responder units won't own the network. They'll be subscribers to FirstNet. Some people won't want to change; others will see the benefit in interconnectivity. The human factor will greatly determine the success or failure of this endeavor."

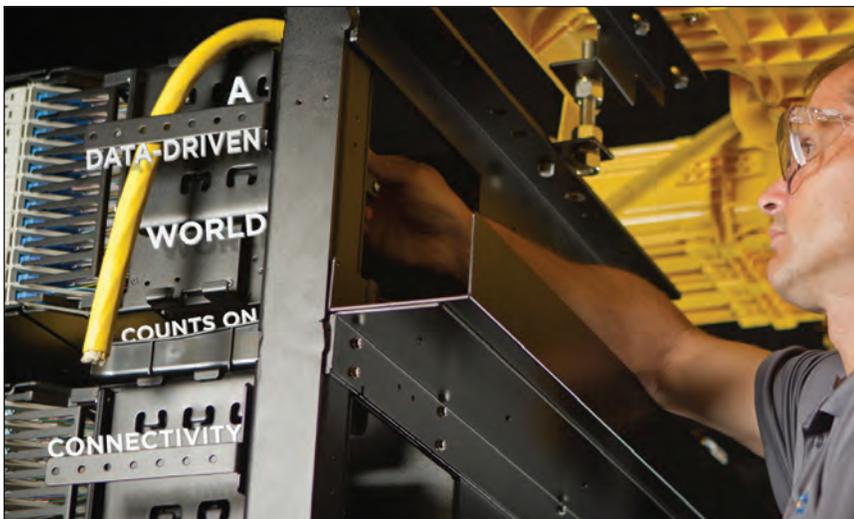
NGA's Hogsett said most governors are optimistic about the potential of an interoperable public safety network, but she agreed that FirstNet won't succeed if first responders opt out by default and choose not to use the national network. "This has been a long-standing goal since the communications failures of 9/11," she said.

"The challenge for the FirstNet board will be to build a network so that first responders want to use it. It must be appealing to police and fire departments and delivered at a cost that makes it feasible."

Bryan said that the new network will be a novel mix of commercially deployed services through a public/private partnership, with public safety as the user group. "It's natural for people to ask: How is it going to run? How is it going to be paid for?" he said. "And they're looking to the board for answers. But the board's only met one time. We're trying to formulate a well-thought out, world-class network in the most efficient manner possible. We would like a little time."

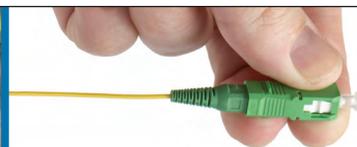
Bryan also noted that he won't favor electric co-ops over telcos when it comes to FirstNet operations. "The electric co-ops have a diverse territory; they own substations; they own a great deal of land," he said, adding that rural telcos have equally impressive assets and infrastructure. "Rural players have a lot to bring to this party, and we are willing to engage and work with them." ■

*Rachel Brown is a freelance writer. She can be reached at rachelsb@aol.com.*



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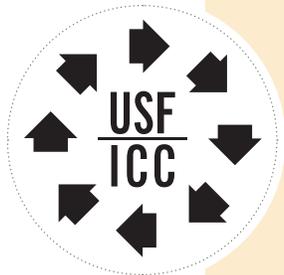
# FROM CALL COMPLETION TO VIDEO CONTENT

## NTCA'S REGULATORY AGENDA FOR 2013

BY JESSE WARD

**S**tarting in November 2011, the FCC enacted comprehensive and sweeping reforms to the Universal Service Fund (USF) and intercarrier compensation (ICC) mechanisms—critical cost recovery mechanisms for rural, rate-of-return (RoR) carriers. The FCC's initial changes, and the additional “regulatory overhang” surrounding a further notice of proposed rulemaking (FNPRM), have thrown the industry into a state of uncertainty that has chilled broadband investment and, in some cases, necessitated job losses or cutbacks on customer services.

Although USF and ICC reform have dominated the agenda, NTCA has continued to address regulatory actions concerning several other key competitive issues. The new year offers us a chance to reflect on the changes the commission imposed, and to review the issues on NTCA's agenda for 2013.



### WHO CONTRIBUTES TO THE UNIVERSAL SERVICE FUND?

In the spring of 2012, the FCC restarted its effort to review and potentially reform USF contributions, including the methodology for who contributes to the fund and the mechanism for determining payment. From NTCA's perspective, this is a long overdue update. The current contribution factor is subject to marked

increases as the base number of services paying into the fund has declined (largely because of self-selecting regulatory classification), at the same time as the fund's expenses have increased (largely because of exponential growth in the Lifeline program).

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### USF AND ICC REFORM

NTCA and its rural allies have pursued several different but simultaneous courses of action in an attempt to ensure there is sufficient support for rural customers—and to restore certainty and predictability to rural providers' cost recovery mechanisms.

Among NTCA members' primary concerns are the FCC's use of a quantile regression analysis model and a funding “budget” to determine the level of USF support for RoR carriers. NTCA members have expressed concerns relating to the transparency, accuracy and predictability of the model. There are fundamental structural and data-integrity problems with the base-level data. Carriers are unable to predict what investments and operations will be recoverable (or unrecoverable). Finally, these USF recovery constraints apply retroactively to past investments, including network construction plans that were started in good faith when carriers were regulated under previous business rules.

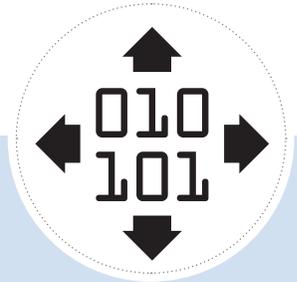
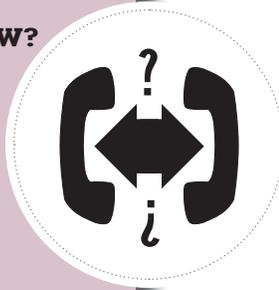
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## CALL COMPLETION: CAN YOU HEAR ME NOW?

In 2011, rural telephone company customers started to report problems with receiving long-distance calls, including calls ringing at the calling party's end, but not the called party's; incomplete, garbled or missing caller ID; and long pauses between dialing and ringing. The call completion issues are believed to stem from how the calls are routed over the public switched telephone network and the use of least cost routers. Since 2011, NTCA, the National Exchange Carrier Association, OPASTCO and WTA have been engaged in an ongoing dialogue with the FCC in regard to call termination issues, and rural local exchange carriers' (RLECs') attempts to resolve the difficulties.

In February 2012, the commission issued a declaratory ruling to put carriers and least-cost routers on notice that failures to route calls properly would be considered a violation of law. It reminded carriers of the commission's long-standing prohibition on blocking, chocking or otherwise restricting traffic. The ruling stated that a carrier remains responsible for the provision of service to its customers, even when it contracts with another provider to carry the call to its destination. The declaratory ruling was the commission's first substantive response to the problem.

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## DATA ROAMING

In February 2011, the FCC issued a landmark data roaming order that attempted to address small carriers' challenges to obtaining data roaming arrangements on advanced mobile networks, particularly with the major nationwide providers. The order instructed all telecommunications carriers to negotiate data roaming agreements in good faith. It imposed a "general requirement of commercial reasonableness for all roaming terms and conditions."

Verizon quickly appealed the order, arguing that the FCC did not have the authority to enforce the mandate. NTCA intervened on behalf of the FCC, filing a supporting brief. In a victory for rural mobile broadband consumers and carriers, a federal court on December 4 rejected Verizon's court challenge, finding that the commission has jurisdiction to adopt data roaming rules under Title III of the Communications Act. The court's decision is an important first step in ensuring that rural carriers have access to reasonable data roaming contracts and rates.



## ACCESS TO VIDEO CONTENT

According to the "NTCA 2011 Broadband/Internet Availability Survey Report," the main barrier facing small video providers is access to reasonably priced programming, as cited by 96% of survey respondents. NTCA has long advocated for the reform of outdated retransmission consent regulations that govern negotiations between broadcasters and video service providers.

In joint comments filed with the FCC on September 10, 2012, NTCA and OPASTCO again urged the commission to take a number of steps to improve rural local exchange carriers' access to video content at affordable rates and under reasonable terms and conditions. The comments were filed as part of the commission's annual assessment of competition in the video programming delivery market. The associations stated that enabling rural multichannel video programming distributors to have affordable and reasonable access to video content not only improves competition in the video market, but also promotes broadband deployment and adoption.

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**USF AND ICC REFORM** *cont'd*

Of equal concern are the longer-term effects of ICC reforms. Specifically, the FCC has mandated that the telecommunications industry will move to an ICC “bill and keep” rate of zero. While the transition for various ICC rate elements will differ, with some transitions still to be defined by the FNPRM, the “end game” is a state where providers no longer receive reimbursement for the use of their networks by other carriers—and where the alternate recovery mechanisms that have been provided will “phase out” regardless of the impact on universal service and consumer rates.

For carriers that are affected substantially by these reforms, a waiver process is available; however, it is burdensome and requires the production of nonregulated data. Moreover, the standard for obtaining a waiver is, as of this writing, detached from the statutory universal service mandate that requires “reasonably comparable” services in both rural and urban areas, and also the objectives of reform, which are to promote broadband availability and adoption.

In addition to the ICC changes noted above, the FNPRM introduces other regulatory uncertainty. The further notice threatens, for example, to rescribe the authorized rate of return; extend the regression analysis model to interstate common line support; and evaluate the importance of unsubsidized competition in a carrier’s service territory in regard to its potential cost recovery—all key challenges to the economic viability of rural communications providers.

In December 2011, several rural associations filed a petition for reconsideration and clarification with the FCC, and in May 2012, the allies filed an application for review of the commission’s quantile regression analysis model for USF support. However, the commission has reviewed and decided upon only a few of its many out-

standing petitions, and several of our outstanding requests remain in the queue.

In addition to formal pleadings filed jointly with the rural associations, NTCA has single-handedly held more than 100 *ex parte* meetings with the FCC since January 2012, voicing rural carriers’ concerns in one-on-one discussions with FCC staff members. NTCA and its allies have also retained critical experts—including Roger Konker, an economist who is considered the grandfather of regression analysis—who offered an important critique of the FCC’s implementation of its quantile regression analysis model.

The court system offers another avenue to address our concerns. In December 2011, NTCA filed a petition for review with the U.S. Court of Appeals for the 4th Circuit in regard to several aspects of the new reform framework. For instance, NTCA notes that the FCC is engaging in rate regulation in adopting bill and keep for ICC, which it may not do under the law. NTCA asserts that bill and keep is a rate of zero, not a methodology for determining rates as the commission claims.

In addition to the rural perspective, more than 30 court challenges were filed, and the cases were consolidated at the U.S. Court of Appeals for the 10th Circuit. The FCC subsequently asked the court to hold the lawsuits in abeyance, meaning that the court would wait to consider the claims until the commission had a chance to review all of the outstanding petitions for reconsideration. The court, however, denied the FCC’s request and stated that it will proceed with its review of the issues.

The court may offer our most promising avenue for eliminating the quantile regression analysis model, other retroactive caps, the artificial and arbitrary USF “budget,” and the ICC bill and keep ruling. However, this is not a guarantee of victory, and it is not a short-term solution. It is likely we will not see a decision until late 2013 at the earliest.


**WHO CONTRIBUTES TO USF** *cont'd*

In comments filed this past summer, NTCA and other rural associations urged the commission to continue to assess universal service contributions based on revenues, as it would provide clarity, transparency and predictability to the regulatory structure. However, the rural associations also recommended several essential updates in order to broaden the base of contributors. For example, the group noted that if all broadband Internet access services, text messaging services and enterprise communication services were assessed for USF contributions, the program would be more sustainable and the contribution factor would be significantly lowered. From NTCA’s per-

spective, those who benefit from the broadband network should sustain and upgrade it over the long term.

The idea that broadband users should pay into the USF to support broadband access has been supported by other influential organizations, including AARP, AT&T, Sprint and Google. Unfortunately in late August 2012, several media outlets sought to portray the commission as attempting to “tax the Internet.” In the wake of these reports, FCC Chairman Julius Genachowski backed away from including broadband connections in USF contributions. As we look toward 2013 and a potential new FCC chairman (see sidebar), contribution reform is an issue that is ripe for commission action.

# THE MAKEUP OF THE FEDERAL COMMUNICATIONS COMMISSION



The FCC is comprised of five commissioners, each appointed by the president and confirmed by the Senate. Three commissioners, including the chairman, are associated with the same political party as the president.

Currently, the FCC has two freshman members Jessica Rosenworcel and Ajit Pai, who were confirmed in the second half of 2012. NTCA is encouraged by the thoughtful approach to policy-making and in-depth understanding of complex issues that Rosenworcel and Pai already have demonstrated early in their terms.

- ▶ Chairman Julius Genachowski (D): His term expires June 30, 2013.
- ▶ Mignon Clyburn (D): Her term expired June 30, 2012. However, she was renominated on June 7, 2012, for a term expiring June 30, 2017. She cannot continue to serve without confirmation beyond the expiration of the next session of Congress.
- ▶ Robert McDowell (R): His term expires July 1, 2014.
- ▶ Ajit Pai (R): His term expires June 30, 2016.
- ▶ Jessica Rosenworcel (D): Her term expires June 30, 2015.



## CALL COMPLETION *cont'd*

Unfortunately, despite the FCC's warning, rural customers continue to report problems with call completion. In April 2012, the association and its rural allies initiated a nationwide call completion test project to quantify rural call completion problems as compared with nonrural areas. The project expanded on a similar test conducted by the rural associations in September 2011. Although results from the April 2012 test call project showed modest improvement, call completion problems remain at an alarming and unacceptable level; the findings show that nearly one-third of rural test lines experienced comple-

tion problems on more than 20% of incoming calls.

NTCA transmitted this data to the FCC's Rural Call Completion Task Force in the spring of 2012. The associations subsequently renewed their call for the agency to take clear and definitive steps to enforce its rules and to ensure that routing practices by originating carriers and service providers produce high quality, reliable call completion results in all areas of the country.

In response, in July 2012, the FCC set up an email address for rural carriers to report unresolved complaints: [rccinfo@fcc.gov](mailto:rccinfo@fcc.gov). The commission is following trends and patterns and collecting data to follow-up with carriers. In the meantime, NTCA continues to advocate for tangible regulatory action. ■



## ACCESS TO VIDEO CONTENT *cont'd*

In the fall of 2012, NTCA also urged the commission to extend the prohibition on exclusive contracts for certain types of programming for an additional five years. The regulation prohibited the ban on exclusive contracts between vertically integrated programmers and cable operators to ensure that all video distributors had access to "must have" cable affiliated programming, including a regional sports network.

NTCA and OPASTCO filed joint comments in support of the continuation of the FCC's program access rules. In addition, as part of the Coalition for Competitive Access to Content, NTCA participated in *ex parte* meetings at the FCC and legislative advocacy efforts to support the current program access rules. The coalition is composed of organizations representing video providers from the direct broadcast satellite, cable and telco industries.

Unfortunately, despite the association's best efforts, the FCC unanimously decided to let its program access

rules sunset on October 5. The commission stated there is more competition in the video marketplace, and less vertical integration between cable operators and programmers. It found that extending the preemptive ban on exclusive contracts would sweep too broadly. Instead, the commission will consider complaints brought by video service providers alleging unfair competitive practices on a case-by-case basis, with a special eye to regional sports programming. Fortunately, Comcast is required to continue to abide by the program access merger conditions adopted in the Comcast/NBCUniversal order until January 2018, which requires the company to make networks available to competitors, even after the expiration of the exclusive contract prohibition.

As we look forward to 2013, NTCA will continue to advocate for the interests of small video providers, including members' needs for access to popular content at competitive rates. ■

*Jesse Ward is NTCA's industry and policy analysis manager. She can be reached at [jward@ntca.org](mailto:jward@ntca.org).*

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## Support for Estate Tax Repeal Grows

**2** 012 was another year of much rhetoric but little action by Congress to fix the federal estate tax. The Family Business Coalition, of which NTCA is a member, increased support for full repeal significantly and helped to push conversations toward a more reasonable estate tax policy. A bill

authored by Rep. Kevin Brady (R-Texas) to fully repeal the estate tax amassed over 225 bipartisan co-sponsors, and a mirror bill in the Senate gained nearly 40 in the 112th Congress. Despite bipartisan efforts of many members to reduce or repeal the tax altogether, debates about the estate tax fell largely along partisan lines, and little actual legislating was done during the 2012 election year.

Republicans in Congress and candidates across the country supported permanent repeal of the estate tax. In 2012, more than 400 candidates signed pledges to “eliminate the death tax.” Gov. Mitt Romney, while stumping for the presidency, used his support of full estate tax repeal to tout his tax plan for rural America. In a late October speech in Iowa, Romney told a crowd of farmers and business owners, “He’s [President Obama is] planning on raising the death tax pretty significantly. My own view is we ought to kill the death tax. You paid for that farm once, you shouldn’t have to pay for it again.” Incumbent Republican House members who joined Romney in supporting full estate tax repeal included Speaker John Boehner (Ohio), Majority Whip Kevin McCarthy (California), Vice Chairman of the House Republican Conference Cathy McMorris Rodgers (Washington) and Chairman of the National Republican Congressional Committee Pete Sessions (Texas).

High-profile Republican Senate candidates who campaigned to fully repeal the estate tax included: George Allen in Virginia, Josh Mandel in Ohio, Dean Heller in Nevada, Ted Cruz in Texas, Deb Fischer in Nebraska, Rick Berg in North Dakota and Denny Rehberg in Montana. In the absence of 60 Senate votes for full repeal, House Republicans passed H.R. 8 in August to prevent the looming “fiscal cliff.” The bill extended all



2012 tax rates, including the estate tax at a \$5 million exemption and 35% rate. Unfortunately, this tax extension bill was left to die in the U.S. Senate.

While Republicans campaigned for full repeal of the estate tax late into fall, the Democratic caucus remained split on how to handle the issue legislatively. Rep. Brady’s Death Tax Repeal Permanency Act gained seven Democratic co-sponsors in the House of Representatives and 33 Democratic House members who had voted at least once in the past for full repeal remained supportive, albeit not vocally. Democratic estate-tax repeal pledge signers included Sen. Joe Manchin III from West Virginia and Rep. Mike Ross from Arkansas. This support for full repeal by rural Democratic members created difficulty for the caucus in presenting a consistent message on the estate tax.

Disagreements about the estate tax within the Democratic caucus became more publicly apparent when the Senate voted to extend “middle-class” tax rates without fixing the estate tax, allowing it to return at a 55% rate and a \$1 million exemption through inaction (S. 3412). The first iteration of the Senate

In 2012, more than 400 candidates signed pledges to “eliminate the death tax.”

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Democratic tax bill called for the estate tax policy in President Barack Obama's FY 2013 budget proposal—an increase to a 45% estate tax rate with a \$3.5 million exemption. But after strong objections from more conservative Democratic senators favoring a lower estate tax rate and other Democratic senators preferring an even higher estate tax rate, the entire estate tax portion of the Democratic tax bill was removed and the bill

was passed narrowly along party lines, with no estate tax provision at all.

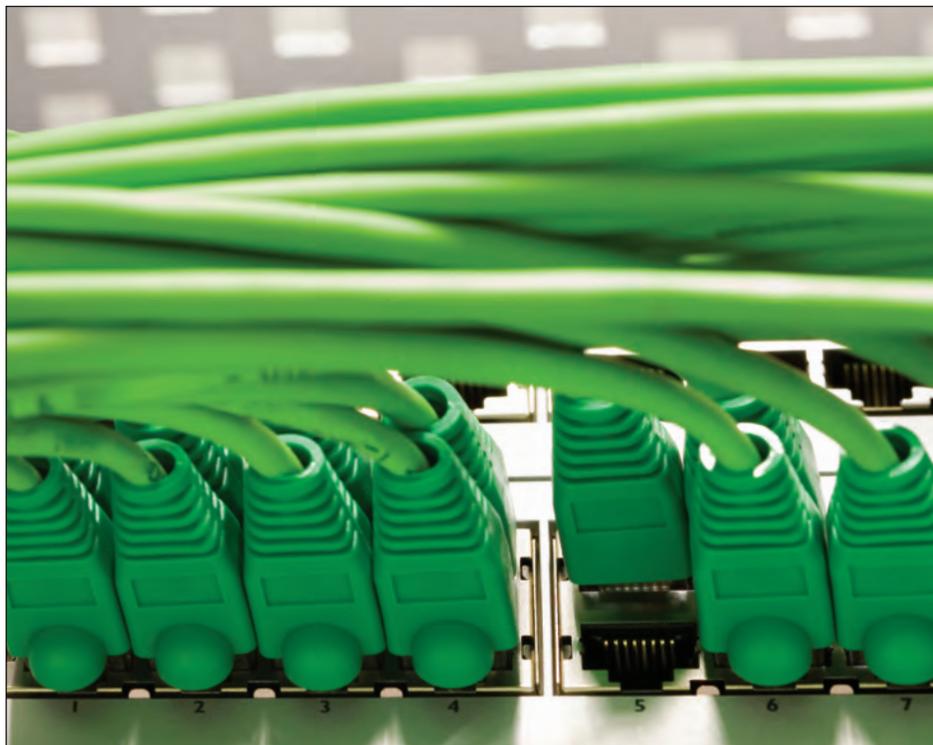
At the time of this bill's passage in late July, the Joint Committee on Taxation (JCT) released estimates showing that the scheduled hike in the estate tax allowed by the early version of S. 3412 would have affected an additional 50,000 families, including 24 times the number of farms and 13 times the number of small businesses, as 2012 rates. Rural Senate

Republicans, led by John Thune of South Dakota, author of the Senate estate tax repeal bill (S. 2242), took to the floor in July to share the JCT statistics with their colleagues. Following the July vote on S. 3412 and release of the JCT statistics, a number of rural Senate Democrats quickly offered a bill to extend current estate tax rates, but it gained sparse support among the rest of the caucus.

Part of the final "Fiscal Cliff" deal passed in the early morning hours on January 1, 2013, included a deal to permanently extend the current \$5 million exemption including "portability" with a spouse to potentially double the exemption. The tax rate on estates over the exemption level was increased to 40%. However, by making the tax permanent Congress has helped family business owners to better plan for passing the company on to the next generation. The estate tax will now be easier to reduce or eliminate because of a much friendlier "baseline" revenue yield from a permanent 40% rate and \$5 million exemption, rather than a permanent 55% rate and \$1 million exemption that raises much more revenue.

With a more favorable political environment and growing support for tax reform in 2013, Congress ought to be able to design a tax code that does not include an unfair double-tax at death. Most countries, including Russia, Sweden, China, Canada and Mexico, do not have an estate tax. Among nations that do have an estate tax, the average rate is 24% (less than half of the 55% U.S. death tax that was scheduled for 2013). In a competitive global economy and with sputtering U.S. jobs numbers, Congress should be enacting tax policies that keep family businesses in the United States and encourage job growth. This year, let's build on growing support to bury the death tax once and for all and work to maintain tax certainty for America's main economic engine—family businesses.

*Palmer Schoening is chairman of the Family Business Coalition in Washington, D.C., a collection of industry groups and organizations working to achieve better tax policy for private family businesses in all 50 states. He can be reached at [palmer@schoeningstrategies.com](mailto:palmer@schoeningstrategies.com).*



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## Navigating Health Care Reform



**W**hen President Barack Obama signed into law the highly contested Patient Protection and Affordable Care Act of 2010, he set in motion a monumental chain of comprehensive health care reforms.

Up until this point, each year of health care reform has been like “a little waterfall,” stated Ross Manson, partner with Eide Bailly LLP (Sioux Falls, N.D.). “But in 2014, it turns into Niagara Falls.”

And much of 2013 will center on preparing for those falls.

Revenue raisers such as limiting flex-plan contributions to \$2,500 and taxing high-income earners took effect as of January 1. What everyone is talking about now are the sweeping changes—the health insurance exchanges and individual mandates—scheduled to take effect next year.

### What You Should Know

The individual mandate kicks in January 1, 2014. By then all Americans, with some exceptions, must have proof of insurance or pay an individual penalty. Contrary to public opinion, small employers are not mandated to offer insurance.

Between now and October, individuals and businesses must determine what their next course of action will be regarding health care coverage. The Affordable Care Act established insurance exchanges, which are state-based competitive marketplaces where individuals and small businesses can purchase private health insurance. Open enrollment for those exchanges begins in October.

“There is a shared responsibility to this reform,” Manson stated. “If you [a company] don’t offer insurance, you must pay a penalty of \$2,000 per employee, excluding the first 30 employees, to send them to an exchange. This only applies to employers with 50-plus FTEs [full-time equivalents]—those working more than 30-plus hours per week.

“For those employers with less than 50 FTEs,” he continued, “there is no penalty if they do not offer insurance. There are still Affordable Care Act provisions that they must abide by, but there is no concern about penalties.”

### How It Works

“The exchange will be set up like Travelocity with various options and price points,” Manson shared. “Individuals will be able to access a website and input information pertaining to their health, family, income, prescription medications and how they plan to pay for services (i.e., monthly installments, pay as you go).”

Once that information is put in the system, individuals then would be given various health plan options based on coverage amounts. For example, Manson said, the plans may be broken down as: bronze (paid at 60%); silver (paid at 70%); gold (paid at 80%); and platinum (paid at 90%).

“The exchange guarantees individuals access to coverage,” said Melissa Drennan, NTCA director, compliance

Between now and October, individuals and businesses must determine what their next course of action will be regarding health care coverage.

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## An employer of 50-plus FTEs would be required to pay a penalty only if its insurance is deemed not affordable or if the insurance coverage is inadequate.

and audit. "For low-income earners, there is a tax credit to help offset costs. ... If an employee turns down an employer's insurance based on cost, that employee can seek insurance through the exchange, and the employer must pay a penalty."

An employer of 50-plus FTEs would be required to pay a penalty only if its insurance is deemed not affordable or if the insurance coverage is inadequate. "If your insurance is more than 9.5% of an employee's income, it would be deemed not affordable," Manson said. "That employee is then eligible to sign up for the health insurance exchange, and the employer is required to pay a \$3,000 penalty toward that option. If you offer coverage, you must cover more than 60% of insurance costs," he said, adding that the credit subsidy that everyone is entitled to is equal to the silver-level plan. If an individual wants additional coverage, she can pay the difference.

### Decisions, Decisions

The clock is ticking, and employers have a lot of questions to ask themselves and numbers to crunch regarding the extent to which they should offer health care coverage or pay a fine.

For those in the NTCA Group Health Program (GHP), Drennan shared that the association is increasing efforts to educate members and providing resource materials to ensure that GHP participants are in compliance with the federal guidelines.

"NTCA's trust committees are sensi-

tive to the economic constraints that many members are experiencing, and they are working to ensure the NTCA plans meet the requirements, are affordable and give employers choice," she said.

While the average NTCA member may be too small to be affected by these health care reforms, Drennan believes those who are will be mindful of their existing—and future—employees before making any decisions about discontinuing coverage.

"Given the state of the industry," she said, "NTCA members have to be more cost conscience moving forward, but there's pressure to offer benefits at a reasonable price in order to recruit and retain good talent."

Manson shared that he's been advising companies to not just look at the dollars and cents of offering a health care package. He recommended that companies ask these questions: How does not having a benefits package change how you recruit and retain employees? Do you lose your competitive advantage by not having a benefits package? What has been your benefits philosophy to date?

It's too early to tell how most employers plan to navigate the raging rapids of health care reform. With critical information regarding the insurance exchanges still forthcoming, companies are wise to tread lightly before making any rash decisions. ■

*Tennille Shields is NTCA's senior writer/editor.*

*She can be reached at [tshields@ntca.org](mailto:tshields@ntca.org).*

### For more information on health care reform,

NTCA members can find resource materials in the Health Care Reform Resource Center located in the "Insurance and Benefits" section of [www.ntca.org](http://www.ntca.org). A member login is required to access the information, including updates, reference sites, webcasts and the "Employer's Guide to Health Care Reform."

## Watch NTCA Video...

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BY MAUREEN ERNST



## Mt. Angel Telephone

### Mt. Angel, Oregon



#### Workforce

We have five on-site employees with access to the resources of our parent company—Canby Telcom located in Canby, Ore.

#### History

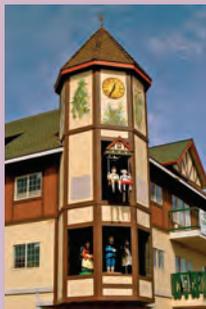
Nestled in the heart of the Willamette Valley, the city of Mt. Angel was founded in 1893 by German pioneers. Local historians say the early settlers chose the site for its striking resemblance to rural Bavaria. In early 1910, as the village continued to prosper, Mt. Angel Telephone was established.

Our town has an Old World flavor that is heightened by the many Bavarian-style storefronts. They celebrate their German heritage each year during Oktoberfest, a traditional harvest festival.

In 2007, Canby Telcom acquired Mt. Angel Telephone and named Diana Coleman as vice president and general manager.

#### Service Territory and Customer Base

We have one exchange, and our service area is approximately 17 square miles. We have a large agri-business community. Crops include hops, seed grass, wheat, grapes, hazelnuts, nurseries and vegetables.



Mt. Angel's unique characteristics include a significant religious heritage, with religious organizations that include the Mt. Angel Abbey, the Benedictine Sisters Monastery (both founded in 1882), the Missionaries of the Holy Spirit Monastery and the Carmelite Monastery.

Mt. Angel is a small town with a population of 3,300 that includes a large Hispanic population (27%) and many senior citizens.

As a small rural telephone company, Mt. Angel Telephone has taken the entrepreneurial risk of investing in advanced technology in an effort to bring the latest telecommunications services to our customers. The company has a remarkable policy of returning customer trouble calls within four hours and completing basic service orders within two days.

#### Technology

As technology changes, we change. We have continued to keep pace with technology by going from analog switching to digital and soon to softswitching. We have invested in fiber to provide advanced Ethernet services to our large businesses and outlying areas for the

agri-industry.

In addition to telecommunications services, Mt. Angel Telephone provides high-speed Internet service to 100% of its service area, as well as long-distance service and the sale of business telephone systems. Outstanding customer service is the cornerstone for this company.

*Maureen Ernst is sales manager at Mt. Angel Telephone. She can be reached at [maureene@mtangeltel.net](mailto:maureene@mtangeltel.net).*

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