

JANUARY - FEBRUARY 2016

SPECIAL
PRODUCT
PREVIEW
PULLOUT

The Magazine
of Rural Telco
Management

telecom

2016



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universal service



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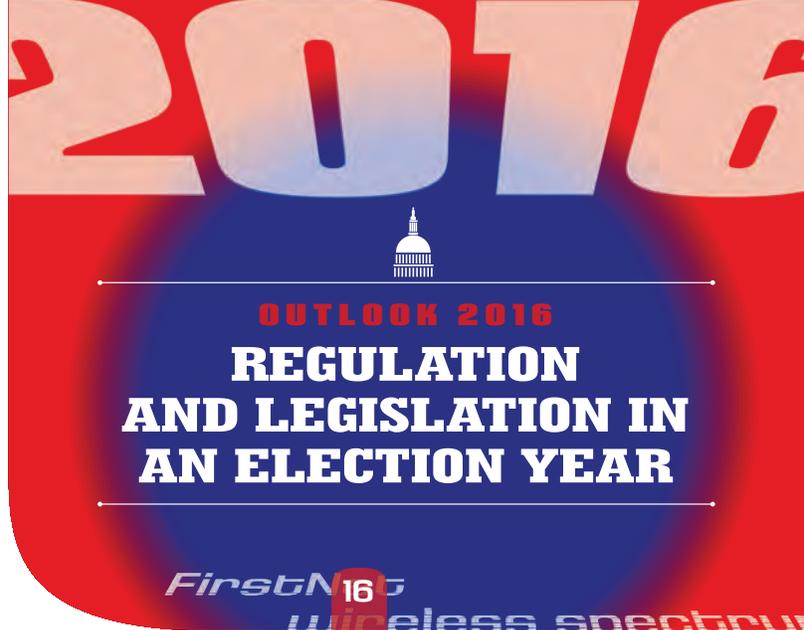
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By Dean Carter



No Slowdown in Sight

By Michael Romano

With the network neutrality debate moving beyond the FCC and with the commission completing implementation of a Connect America Fund for larger incumbent local exchange carriers, more attention has been paid to Universal Service Fund (USF) reforms and video policy. These and other items will be the focus of NTCA's 2016 policy activity.

How to Achieve Policy Progress in an Election Year

*By Leif Oveson and
Tammie Logan*

An election year ordinarily means Congress shies away from controversial policy issues to focus on getting re-elected. With Washington, D.C., in campaign mode, here's how NTCA will stay involved with Congress and help resolve the policy challenges facing our industry.

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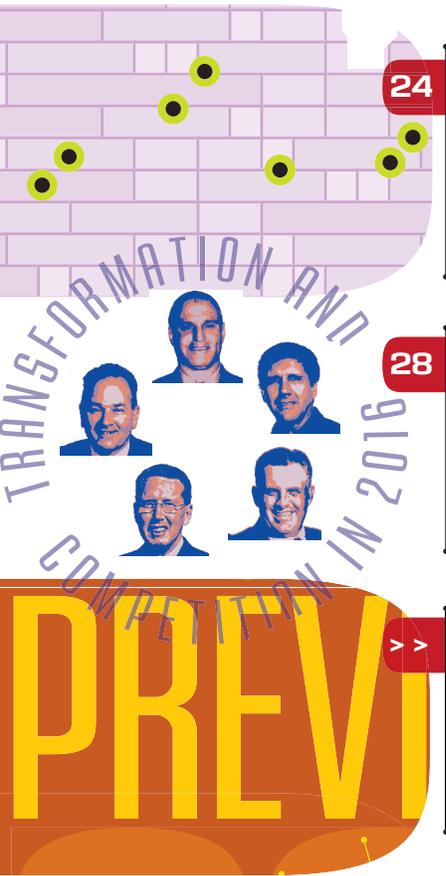
Rural Telecom, established in 1981, is the bimonthly magazine published by NTCA—The Rural Broadband Association, a nonprofit, cooperative corporation formed in 1954 under the laws of the District of Columbia.

NTCA's Mission: NTCA—The Rural Broadband 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 represents nearly 900 small, 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.



Features



24 Smart Rural Communities Sprout: 2015 Profiles

By Joshua Seidemann

The 2015 Smart Rural Community Showcase Award winners demonstrate that distance and geography are not barriers to innovation, growth and prosperity. Learn why NTCA has recognized these companies for their deployment of broadband-enabled applications and platforms that promote commerce, economic development, education, health care, public safety and more.

28 Transformation and Competition in 2016: A Roundtable

By Christian Hamaker

Back in 2013, Rural Telecom asked several rural-telco executives about how competitive strategies had changed during the prior decade. Now, more than two years later, we have asked another group of executives about how operational and technological advances are helping to win the customer-loyalty battle. Their responses show just how fast industry changes have taken hold in recent years.

Special Product Preview

Our special product preview highlights companies exhibiting at the Rural Telecom Industry Meeting & EXPO (RTIME), February 21–24, in Lake Buena Vista, Fla. Find out about the latest products and services that you can explore during 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.

Invitation to Contributors—Please email (publications@ntca.org) or fax (703-351-2088) an outline of a proposed article to the managing editor. All articles should be prepared according to our writer’s guidelines, available on NTCA’s website.

Statements of Opinion and Fact are the individual views of the authors and not necessarily the positions of NTCA, its officers, directors, members or staff.

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A Facebook of Regulatory Reform



In the age of Facebook photo albums and Instagram posts, paper and glue-stick scrapbooking seems like a relic of an era when memory collectors had ample time and patience to document their activities, one thought bubble at a time. Today, Facebook and other online photo-sharing sites have taken over those functions, and as a result, our memories are more sharable than ever. Facebook even encourages us to share a “year in review” with our friends and relive the year’s best moments through a compilation of photos and videos we created.

This got me thinking about what NTCA’s 2015 year in review would look like if the association were a Facebook friend of mine. For one, it would include a lot of photos of our members meeting with policymakers as they stepped up advocacy efforts during a year of ongoing regulatory reform. Secondly, it would include photos of numerous regulators and members of Congress that addressed an unprecedented number of public policy-

focused events, including the 2015 Fall Conference, which featured FCC Chairman Tom Wheeler, and the second Telecom Executive Policy Summit, which drew Commissioner Ajit Pai and a several other prominent federal policymakers.

We feature a Facebook of sorts in this issue, as well, with photos accompanying the 2016 regulatory and legislative outlooks by Michael Romano, Leif Oveson and Tammie Logan (see “Outlook 2016: Regulation and Legislation in an Election Year,” pp. 16–17) highlighting FCC commissioners and key members of Congress that have advocated on behalf of rural broadband.

While it is always hard to predict the future, looking back on the immediate past reveals an industry very much in the presence of influential people. I think it’s safe to expect the same of 2016.

Laura Withers
Director of Communications
lwithers@ntca.org

A Content Refresh

As a telco manager, you know all too well that the quickest ticket to obsolescence is to ignore what your customers want.

The publishing business knows a thing or two about that.



It was on the ropes for a few years as readers migrated away from print and toward digital options. But as publishers struggled to adapt to consumers’ changing preferences, a funny thing happened: Print fought back.

You can see it in the persistence of bookstores. Some brick-and-mortar behemoths, like Borders, closed up shop as Amazon.com and its Kindle helped fuel a surge in ebook and e-editions of newspapers and magazines. Then, just when it looked like print was down for the count, ebook sales leveled off and bookstores experienced a revival. Even ebook king Amazon, by November, had opened its first ever brick-and-mortar bookstore. Print and digital publications had settled into a happy coexistence.

That coexistence is one we’ve embraced here at Rural Telecom. Not only have our digital edition and mobile app been catching fire (fully one third of Rural Telecom read-

ers now access the app), but the print magazine continues to be widely read.

Now, in an effort to ensure your experience of reading Rural Telecom gets even better, we’ve made a few adjustments. Our “Connections” column has a new look, while a Q&A format for “Perspective” allows readers to more easily locate beneficial information.

Additionally, our Exchange section has moved out of the print magazine and will be reborn as a blog. In its place in this issue you’ll find a “Comings and Goings” column listing executive transitions in the industry and an infographic on video competition. Also new, “Results-Oriented Marketing” is a recurring department that highlights one telco’s strategy to overcome a marketing challenge.

Look for additional Rural Telecom tweaks and changes—across all of our formats—later this year, and let me know what you think.

Christian Hamaker
Editor, Rural Telecom
chamaker@ntca.org

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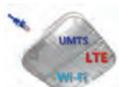
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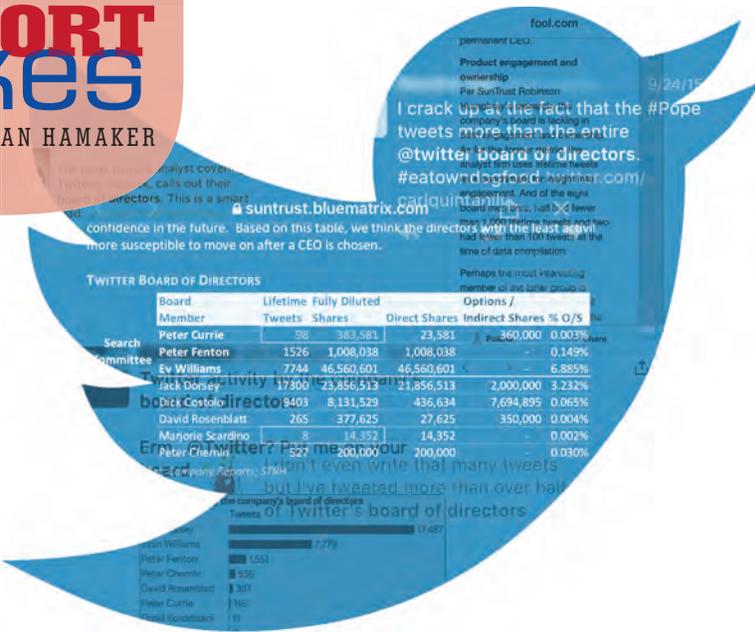
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TWITTER DIRECTORS RECEIVE TONGUE-LASHING

If you're on a telco's board of directors, make sure you understand the products the company is selling. That's a lesson two directors of Twitter recently learned when a financial analyst cited them as partly responsible for that company's financial struggles.

Suntrust Analyst Robert Peck thinks he knows, at least in part, what explains the recent travails of Twitter: Some of its directors hardly ever use the service.

He noted that one of Twitter's directors had tweeted only 98 times, while another had tweeted just eight times.

"It is imperative that the board members show engagement in the product," Peck wrote. "While we know that tweets are not a perfect representation of engagement, we do think it is a fair analog and is instrumental in not only understanding the current product but also understanding where the product needs to evolve."

►Source: variety.com

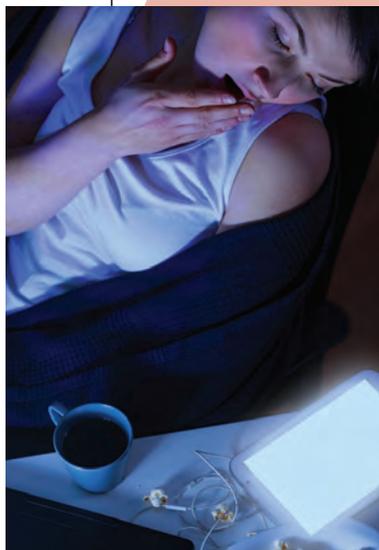
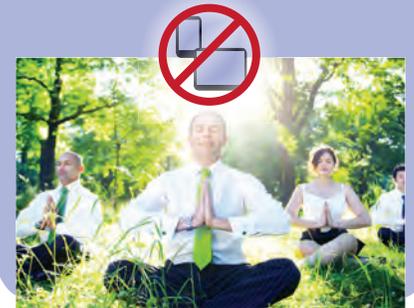
What's Gained After a Digital Detox

If you value the art of conversation and want a better memory, consider a digital detox.

Kate Unsworth, the chief executive officer (CEO) of Kovert Designs, put a group of 35 CEOs through a four-day digital detox and discovered the following at the end of their time away from such technology:

- > Better eye contact with others—no staring down at a screen—led to better posture.
- > Conversations without Google were prolonged, allowing relationships to be formed or deepened.
- > Participants could recall obscure details about each other—a sign of improved memory.
- > Their sleep was more restful, even though they slept for a shorter amount of time.
- > Offline contemplation allowed participants to ponder major life changes.

►Source: fastcompany.com



The Costs of Insomnia

Having trouble sleeping? Join the crowd. Harvard research shows that the average worker loses 11.3 days of productivity each year to sleeplessness, representing an equivalent loss nationally of \$63.2 billion.

Some firms are addressing the problem. Goldman Sachs has talked with sleep experts, Johnson & Johnson has offered its employees a program on digital health and Google has hosted events centered on the subject.

Culprits for the condition include longer work hours, too much screen time (especially right before bed), the increasingly permeable boundary between work and home life, and overseas business

communication that must take place at odd hours.

►Source: washingtonpost.com

THE BEST JOBS for Work-Life Balance

If it's work-life balance you seek, think about getting into engineering, marketing or Web design.

That's the finding of careers website Glassdoor, which ranked the top jobs for work-life balance. The top 10 are:

1. Data Scientist
2. SEO Manager
3. Talent Acquisition Specialist
4. Social Media Manager
5. Substitute Teacher
6. Recruiting Coordinator
7. UX Designer
8. Digital Marketing Manager
9. Marketing Assistant
10. Web Developer

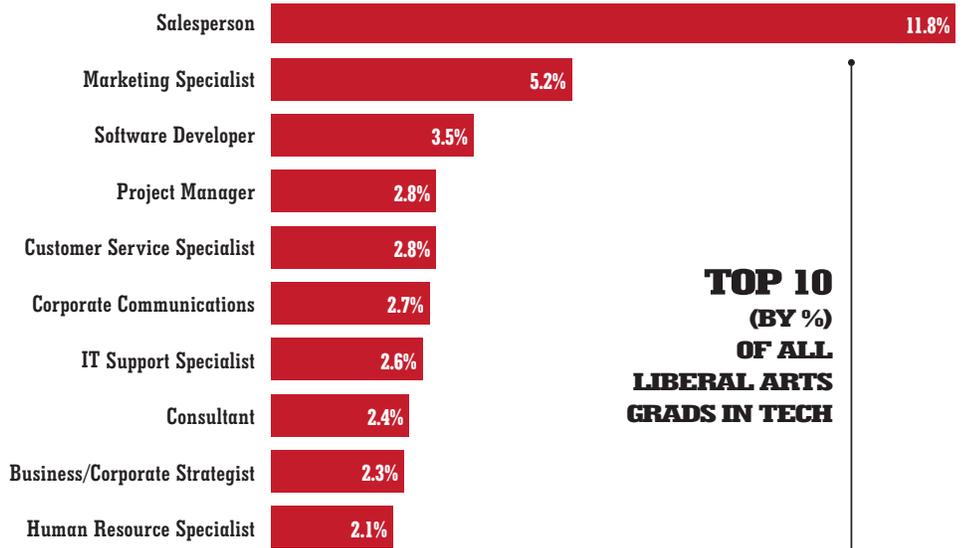
►Source: washingtonpost.com

The Tech Sector Attracts ... Liberal Arts Grads?

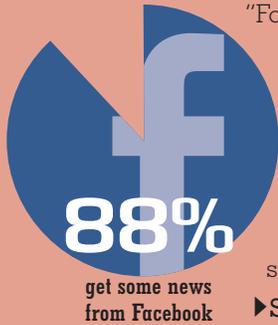
The employee rolls at tech companies are increasingly filled with graduates who hold liberal arts degrees, and those with liberal arts backgrounds are joining tech companies' ranks at a faster clip than graduates from technical fields.

While sales and marketing are the most popular areas for these grads to work within at their tech employers, liberal arts majors are also finding a role as software developers.

►Source: blog.linkedin.com



HOW MILLENNIALS GET THEIR NEWS



"Facebook and search engines dominate the way Hispanics, African Americans and whites alike get their news for a majority of topics, as opposed to going directly to destinations as is more typical of older Americans," writes the American Press Institute about its Media Insight Project into how millennials use technology. Other key findings:

> YouTube and Instagram are more popular sites for news gathering among African-American and Hispanic millennials, while the use of Twitter, Reddit, Pinterest and Tumblr are consistent across racial and ethnic groups.

> Millennials tend to engage with news on Facebook in similar ways—liking, posting and reading stories—across racial and ethnic groups.

►Source: americanpressinstitute.org

Bots or Real People: Who's Reading Your Website?

The performance of online ads has not been all it was cracked up to be.

At a New York presentation last year, Ron Amram, chief executive officer of Heineken USA, learned a harsh truth about online ads. Unlike the 6-to-1 ratio



SAM FERRO

for television advertising—the expectation that for every dollar spent advertising on TV, a company would see a \$6 increase in revenue—digital ads produce a return on investment of

just 2-to-1. Worse, only 20% of a campaign's ad impressions are seen by actual people. An Association of National Advertisers study last year showed that 11% of display ads and 25% of video ads are viewed by software instead of by people.

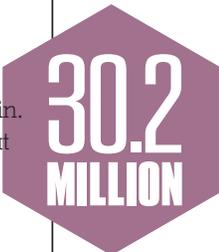
►Source: Bloomberg.com

Employees Move Toward 'On Demand' Economy

Traditional jobs are out, and the "on demand" economy is in.

That's the major finding of an MBO Partners study that shows a growing segment of young workers in today's "Gig Economy" are taking "gigs" with the likes of Uber or delivery services.

►Source: news.yahoo.com



Estimated number of employees in 2015 who were earning a "substantial part of their income from independent work."

2G Tuesdays Build Empathy

In a broadband world of ever-increasing Internet speeds, it can be difficult to think about how many people across the globe encounter and use the Internet at much slower speeds.

Facebook has rolled out "2G Tuesdays" for its employees as a way to get them to empathize with people who access the Internet via connections that aren't up to 3G and 4G levels. For millions of users in emerging markets, loading a basic Web page at 2G speeds can take two minutes.

►Source: theweek.com

#RuralsSocial



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@amyklobuchar

Great to meet w telephone co-ops on broadband. I've introduced bipartisan legislation to help expand broadband in rural communities.



@NickDeganiFCC

And the lack of stand-alone broadband support is slowing the rollout of high-speed Internet to rural Americans.
@AjitPaiFCC @NTCAconnect



Marian Norton

I do not represent a company but am just a customer who is grateful that a rural cooperative, Randolph Communications, brought fiber service to Bear Creek, NC. This picture was made in front of my house earlier this year.
I am now connected!



@NormanJacknis

Panel for #Congress on #city #countryside integration with #digital #tech & #broadband #internet @NTCAconnect



@AdvEngineers

@NTCAconnect, rural #broadband development is critical to guarantee access to affordable, high-speed #internet.



@SenatorHeitkamp

Discussed strategies to expand rural access to high-speed Internet w/ ND Assoc. of Telecommunications Cooperatives



@AjitPaiFCC

The FCC needs to help boost rural broadband deployment to bridge the #digitaldivide.
My ideas on how @NTCAconnect



@danna_mackenzie

Kudos Paul Bunyan Communications for making a difference in Minnesota. Smart Rural Community award @NTCAconnect



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Looking to future #ruralscool with @NTCAconnect gig certified communities, thx Shirley Bloomfield #farmercoopcon





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Campaigning for Rural America



Over the past several months, political candidates have been working the campaign trail—from those vying to be president and members of Congress to local and regional leaders. We will see countless debates and visits to towns across the country as each hopeful tries to make his or her platform known regarding all the hot button issues facing the nation. With the future success of rural America on the line, NTCA—The Rural Broadband Association will be following this political season very closely.

As the campaigning heats up, we will be implementing a swing-state strategy through which we will advocate on your behalf in places where no

single candidate or party is the dominant party in control. States like Iowa, Ohio, Michigan and Wisconsin have the potential to play a key role in the upcoming election. These are states where member companies have a strong pres-

ence, and that makes for a huge opportunity for rural America and small telecommunications providers. It's an exciting time but one where tremendous change looms in the balance, so it is our job to ensure that these candidates know the issues that really count for the people living in the areas they will represent.

Universal Service Fund reform was our main focus in 2015, and as we turn the calendar to 2016, we remain as committed to getting the reforms done correctly as we were last year. While the FCC is leading the charge, Congress is hot on the commission's heels, pushing regulators to act on standalone broadband support for those like you who depend so much on that consistent revenue stream. We will continue to work with legislators to make sure they are aware of your needs and how critically necessary

reform is. Likewise, video policy reform has been a critical issue we have been tackling with legislators. As the commission looks to implement new rules regarding retransmission consent agreements, we will continue to push for reforms that ensure you can compete with larger carriers that currently dominate the marketplace with unfair negotiations.

Take a look at the articles in this issue for a full report from our government affairs and industry teams on what we will be focusing on this year, including tax reform, cybersecurity and the call completion epidemic.

Whatever the outcome of the November elections may be, it is clear that a positive economic outlook for the country is intrinsically tied to the success of rural America. We pledge to advocate on your behalf to ensure that the representatives elected will represent you, and we will work to make sure every candidate knows that the most rural parts of the country are thriving but continue to need the support and recognition urban counterparts enjoy. ■

Shirley Bloomfield is chief executive officer of NTCA—The Rural Broadband Association. She can be reached at sbloomfield@ntca.org. You can also follow her blog at ntca.org/ceoblog.

NTCA members meet with Sen. Amy Klobuchar



How Grassroots Advocacy Helps Telcos and Legislators Alike

How important is grassroots advocacy to the success of Madison Telephone Co. (Stanton, Ill.)?

Simply put, grassroots advocacy is an opportunity to showcase an RLEC's local commitment to the same constituents served by its elected state and federal leaders.

Grassroots advocacy is a practical, resourceful tool to educate and inform our elected leaders on the commitments Madison Telephone Co. (Stanton, Ill.) makes to critical stakeholders and how they are strategically woven into the very fabric of regional economic sustainability.

At Madison, we believe it is extremely important to engage at the local level with our elected leaders, thus establishing a sustainable relationship that allows both sides to align their shared principles and objectives.

What positive impacts have you seen from your telco's grassroots outreach?

Our efforts have helped our elected leaders understand the balance we must maintain in light of the serious regulatory challenges our industry faces. Local meetings allow elected officials to experience how our success virtually intersects with every aspect of our legislators' desire to serve their district (or state).

Our grassroots advocacy with legislators is meant to develop a mutual interest in ensuring a competitive balance for our communities, whether driven by social or economic factors.

While we recognize the importance of our legislative interactions within the halls of Washington, D.C., we believe grassroots advocacy is our opportunity to translate words into action. Local outreach develops a lasting impression that showcases the proven understanding of our industry's contributions at the local level. Beyond the scope of the regulatory, technical and legal context of our Washington, D.C., advocacy visits, grassroots advocacy with elected officials provides a much needed understanding of mutual interests with legislators in serving the best interest of the local population.

Tell us about a recent example of successful outreach. Did you host any legislators at your telco last year?

Throughout 2015, Reps. Rodney L. Davis (R-Ill.) and John M. Shimkus (R-Ill.)

and Sen. Dick Durbin (D-Ill.) have all been part of local visits that showcased the impact of Madison initiatives on a variety of fronts, specifically health care and education. We strove to provide them with an opportunity to better understand the basic elements of Madison's economic impact to the region and how public policy/legislation shapes those efforts. Our elected leaders have been included in employee meetings, visited customers or met to discuss/observe the impact of broadband in community and economic development initiatives. We actively participated with our leaders in a wide variety of public safety and employment diversity initiatives, often focusing on the impact of broadband deployment, adoption and closing the barriers to a digital divide in rural Illinois.

What's next for Madison Telephone in the area of grassroots advocacy?

We will facilitate local meetings to discuss how regulatory and legislative actions translate into efforts to grow employees (employment); community development (infrastructure investment); social responsibility (health care, education, public safety); and overall economic development.

Efforts to build on our grassroots-advocacy foundation will help elected leaders understand how our relationship with them goes far beyond the Washington D.C. "speed of light" discussions we often are limited to. Continuing our engagement in workforce development, agriculture, education, health care and public initiatives while focusing on broadband deployment and adoption efforts will factor into our core, critical efforts with legislators.

Grassroots advocacy efforts educate and inform our elected leaders. This strengthens everyone's ability to develop a mutual understanding of the need for sound public policy and the legislative action that may be required to offset the challenges put forth by our regulatory agencies in 2016.



Kim Harber is senior vice president of Madison Telephone Co. Contact him at kharber@madisontelco.com.



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TCA

No Slowdown in Sight

BY MICHAEL ROMANO

As the calendar turns on 2015, we have seen a year in which the FCC took historic action on some important fronts while also redoubling efforts on other issues of special import to the rural telecom industry. In particular, with the network neutrality debate having moved beyond the FCC and into the courts, and with the FCC having finally completed a four-year saga of implementing a Connect America Fund for larger incumbent local exchange carriers, we have seen greater attention on Universal Service Fund (USF) reforms for small rural telcos and intense debates over video policy changes. These issues and other items are poised to be the focus of 2016 policy activity, and NTCA—The Rural Broadband Association is ready and eager to engage on each of these issues and others in the year ahead.

USF REFORM

Perhaps no issue is more important to the fundamental capability of small telcos to deliver services in high-cost, sparsely populated rural markets than the availability of sufficient and predictable universal service support. Although there are never any guarantees as to specific levels of support and each rural telco will ultimately succeed on the merits of its own business decisions, the ongoing availability of USF support is essential to ensure that rural telcos can make the business case to invest in robust advanced networks, to enable the operation of those networks over many years and to facilitate consumer use of services at affordable rates. In other words, predictable and sufficient USF provides the baseline for rural telcos to make informed business decisions and to provide services that are equivalent in price and quality to those available in more densely populated markets.

▶ PAGE 18



TOM WHEELER
FCC Chairman



MIGNON CLYBURN
FCC Commissioner



AJIT PAI
FCC Commissioner



SEN. AMY KLOBUCHAR
(D-Minn.)

OUTLOOK
REGULATORY
AND LEGISLATION
AN ELECTORAL

FirstNet
wireless
tech transition
affordability

cybersecurity

universality

How to Achieve Policy Progress in an Election Year

BY LEIF OVESON AND
TAMMIE LOGAN

The conventional wisdom in our nation's capital is to expect little to be achieved in 2016, as heated races for Congress and the White House grab the country's attention and policymakers' time. An election year ordinarily means members of Congress shy away from controversial policy issues and shift their focus from passing legislation to getting re-elected. While this bleak portrait of Washington, D.C., in campaign mode may leave little room for major legislative accomplishments, NTCA-The Rural Broadband Association's government affairs team will remain actively involved with members of Congress to help resolve the policy challenges facing the rural broadband industry.

UNIVERSAL SERVICE

Reforms to the Universal Service Fund (USF) in recent years have been driven by the FCC, with Congress playing a secondary but very critical supporting role by serving as an effective amplifier of NTCA's voice. For the last several years, as a result of NTCA's advocacy, members of both the Senate and House of Representatives have led letters to the commission raising concerns about certain aspects of USF reform or encouraging the commission to ensure small, rural providers receive the same cost-recovery options as their larger counterparts.

For example, last year letters to the FCC were led by Senate Commerce, Science and Transportation Committee Chairman John Thune (R-S.D.) and Commerce Committee member Amy Klobuchar (D-Minn.), along with a letter from House Energy and Commerce Committee member Kevin J. Cramer (R-N.D.). These letters, which were signed by more than 175 members of Congress, encouraged the FCC to implement stand-alone broadband support for rate-of-return providers.



SEN. JOHN THUNE
(R-S.D.)



JESSICA ROSENWORCEL
FCC Commissioner



REP. KEVIN J. CRAMER
(R-N.D.)



MICHAEL O'RIELLY
FCC Commissioner

PHOTOS:
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WORDSOUTH—
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COMPANY;
ALL OTHERS COURTESY
OF THEIR RESPECTIVE
OFFICES

REGULATORY REVIEW

No Slowdown in Sight

CONTINUED FROM PAGE 16

NTCA has made substantial efforts since the FCC's 2011 reforms to restore regulatory certainty to the USF program and to seek thoughtful upgrades to the USF mechanisms consistent with a broadband-oriented world. After hundreds of filings and meetings, we saw the much-criticized quantile regression analysis (QRA) caps eliminated in 2014, but this was only part of the battle, as it effectively put things closer to the way they were before the 2011 reforms. So, in 2015 we saw a renewed, more active focus on how to update the USF mechanisms to enable consumer choice for broadband. A particular spark was ignited when 175 members of Congress (including 61 senators) wrote to FCC Chairman Tom Wheeler in the spring, urging him to make targeted fixes to the existing USF mechanisms to solve "the stand-alone broadband problem"—the fact that consumers cannot get access to affordable broadband from telcos without also buying "plain old telephone service." This theme continued in congressional hearings throughout the spring, as senators and representatives alike repeatedly asked all five FCC commissioners to complete work on this problem by the end of 2015.

Over the remainder of 2015, we saw a flurry of activity as NTCA and other rural telecom stakeholders held nearly daily calls and meetings with their respective members, each other, and FCC staff and commissioners to map out solutions responsive to the calls of Congress. Some at the FCC and other stakeholders prioritized their own specific issues, ultimately broadening the scope of the potential reforms being considered. Wheeler and Commissioner Michael O'Rielly both came to NTCA's Fall Conference to explain directly to members what they wanted to get done, while Commissioner Ajit Pai articulated his own vision for reform to members at NTCA's Telecom Executive Policy Summit. Meanwhile, NTCA consistently encouraged the FCC, above all else, to get any reforms done both soon and right. Even as the association expressed its willingness to "stay at the table" and to explore all possible options for achieving reform, NTCA specifically urged restoring predictability and certainty to the system through simple, straightforward changes that would solve the standalone broadband problem and facilitate a voluntary migration to model-based universal service support for those carriers that seek it.

As an industry that lived through the QRA, telcos have firsthand familiarity with the detrimental effects of complex changes that are not fully thought through and tested. So as the FCC considered a variety of options for reform—including simple updates to the existing USF mechanisms, more complicated "bifurcated approaches" to reform that would treat old and new investments differently, and voluntary paths to receive support based upon a cost model—NTCA focused on making sure that, at a minimum, the full scope of any potential changes and reform paths could be clearly defined, studied and vetted to understand potential effects on consumers, companies and the near- and longer-

term goals of universal service. Moreover, several principles articulated by the NTCA board guided the strategic decisions of NTCA's policy committees as they navigated the twists and turns of reform debates over the course of 2015:

- > Rural telcos should be able to recover past investment and expenses consistent with the USF rules in place at the time those investments were made.
- > Telcos should be able to recover future investments and expenses through a USF mechanism that is predictable, sufficient and sustainable.
- > Any obligations on telcos arising in connection with receipt of USF support should be calibrated to the amount of available funding.
- > Any model implemented must be accurate and transparent.

As 2015 ended, the FCC, NTCA and other stakeholders were working furiously to explore whether a "bifurcated approach" to reform could work or whether alternatives might better help deploy and sustain broadband in rural America. While some thought a vote on reform could occur as early as December, there was substantial work still to be done on "bifurcation" as of the end of 2015, and a vote on reform seemed more likely in January or February of 2016.

VIDEO

For years, video policy has been much like a small splinter for multichannel video programming distributors (MVPDs)—hard to identify how exactly to fix the pain, but it hurts incredibly. As studies and surveys conducted by NTCA and others confirm, ever-escalating content costs have made the video business an increasingly unsustainable proposition, especially for smaller MVPDs. But 2015 saw at least some progress on several fronts with respect to video policy.

First, the FCC is examining the standard for determining what constitutes "good faith" in negotiations between MVPDs and broadcasters. Particularly in very rural areas where some consumers cannot receive over-the-air broadcast signals, it is ironic and troubling that broadcasters have been able to extract increasing fees from MVPDs for the "privilege" of carrying broadcast signals for consumers. NTCA has urged, and will continue to urge, a fresh look at the "good faith" standard as a critical piece of leveling the playing field between MVPDs and broadcasters and providing much-needed relief to consumers.

In addition, Wheeler has indicated his intent to revisit two antiquated rules—network nonduplication and syndicated exclusivity—that give broadcasters an effective monopoly in their markets and insulate them against potential competition. While such changes will not solve every challenge confronting small MVPDs, they could provide another tool in the toolkit for MVPDs seeking must-have content but facing the intransigence of a monopolistic local broadcast entity.

Finally, even if not part of the instant debates, NTCA has

not lost sight of the larger goals of eliminating discriminatory pricing for content between larger and smaller MVPDs and the forced tying and tiering arrangements that make it even harder to structure cost-effective video packages responsive to consumer demand. Addressing these challenges remains a top priority for the association as we enter 2016.

WIRELESS

Ensuring that small rural companies have a meaningful opportunity to obtain and make effective use of spectrum has been a policy priority for the association for years. On the heels of an AWS-3 auction that was a “mixed bag” for smaller operators—with a number winning, but many more losing out to larger players that may not make full use of that spectrum in rural areas—NTCA continues to advocate for policies that will better enable small rural companies to respond to rural consumer demand.

Another chance for spectrum—perhaps the last chance for the kind that will be particularly useful over greater distances in rural areas—comes in the upcoming 600 MHz band incentive auction. The commission has adopted bidding procedures for that auction and announced that the auction is scheduled to begin in early 2016. To help facilitate successful member participation in that auction, NTCA advocated for and secured a rural provider bidding credit. The FCC also adopted an NTCA-supported cap on the total amount of reserve spectrum that any entity can acquire in smaller license areas.

CYBERSECURITY

Federal regulators from across a number of agencies, including the FCC, continue to explore ways to convert aspects of the voluntary cybersecurity framework adopted by the National Institute of Standards and Technology into mandates. However, given both the relatively new nature of the framework and the need for tailored adoption of aspects of the framework as relevant to individual small- and mid-size operators, NTCA continues to advocate instead for education and outreach.

Meanwhile, regulators have been exploring how to capture data on cyber threats that affect telecommunications networks. NTCA is working with its members to identify reasonable ways to present such data that do not create substantial burdens, and is also urging regulators to use such data, once collected, as a means of evaluating further steps and refinements on cybersecurity measures prior to imposing any new mandates.

FIRSTNET

NTCA has played an active role on behalf of rural telcos, small wireless providers and statewide fiber networks in the development of a nationwide public safety broadband network since the inception of FirstNet in 2012. In addition to numerous meetings and engagement with other stake-

holders, NTCA led a rural-oriented coalition in filing comments on FirstNet’s draft request for proposals (RFP) urging a more granular focus on network deployment, the leveraging of existing networks in rural areas and the integration of small operator expertise into the broader effort. Although FirstNet’s board ultimately adopted a nationwide approach to deployment strategy in its October 2015 vote on a final RFP, NTCA was greatly encouraged to see a special note of intent to require partnerships with small local providers to leverage existing assets and ensure sufficient, carefully designed rural coverage. NTCA looks forward to working closely with FirstNet as it finalizes selection of contractors pursuant to the RFP, and with those contractors selected to ensure that the vision for rural collaboration expressly articulated by the FirstNet board is realized.

TECHNOLOGY TRANSITIONS

For years, NTCA has advocated for interconnection rules reflective of the fact that universal service cannot be sustained if small rural providers bear the full costs of transmitting calls and other data to and from distant urban networks. NTCA continues to work with other stakeholders to seek common ground on commonsense rules of the road with respect to interconnection matters—including call completion issues that are, in many respects, the “canary in the coal mine” for what happens when rules are not in place or enforced for the exchange of data between networks.

At the same time, NTCA has urged the FCC to be thoughtful in adopting any new mandates relating to technology shifts within networks. For example, NTCA sought to ensure that backup power requirements for fiber-based networks are reasonable and achievable, and will not create unmanageable burdens for small companies operating in vast rural areas. Similarly, NTCA has asked the FCC to proceed cautiously in adopting any new mandates relating to copper retirement, taking into account again the close relationships that community-based rural telcos already have with their consumers and the unique landscape in which they operate.

MOVING FORWARD

In summary, there appears to be no slowdown in sight with respect to the regulatory issues that will need to be debated and addressed in the year ahead. But with a focus on ensuring that rural telcos can build upon the great work they have already done and can make informed business decisions based upon reasonable and predictable regulatory frameworks, NTCA will continue to advocate for outcomes that seek to advance and sustain reasonably comparable communications services in rural America. ■

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LEGISLATIVE OUTLOOK

How to Achieve Policy Progress in an Election Year

CONTINUED FROM PAGE 17

In 2016 Congress will remain engaged on USF reform and is prepared to further advocate on behalf of rate-of-return providers with additional letters, hearings and outreach to the commission if the FCC is unable to soon find a path forward for reform. With rural broadband advocates such as Thune, Klobuchar and Cramer in Congress, the voice of rural providers will continue to be heard on Capitol Hill and at the FCC until the job is completed.

VIDEO

In 2016, NTCA members and other multichannel video programming distributors (MVPDs) will continue to face an array of hurdles and ever-increasing programming costs as they attempt to secure and distribute video content to consumers. While this issue affects small MVPDs, which have limited negotiating power, more severely than their larger counterparts, MVPDs of all sizes and from a variety of distributing platforms will come together on Capitol Hill this year to address the broken retransmission consent process. NTCA will be lobbying with cable and satellite providers both large and small to stop broadcasters' attempts to manipulate consent rules that are out of step with today's marketplace. Specifically, NTCA will continue telling members of Congress about broadcasters' attempts to secure excessive retransmission fees and/or bundling arrangements that result in dramatically inflated consumer costs.

Several members of Congress, such as House Energy and Commerce Communications and Technology Subcommittee Ranking Member Anna Eshoo (D-Calif.), who support reforming the retransmission consent process will be keeping a watchful eye this year on the FCC's examination of good-faith negotiations and network nonduplication/syndicated exclusivity rules. If the FCC is unable to update these out-of-date rules, then members of Congress will likely feel compelled to find a legislative solution. However, as they have in the past, broadcasters will continue to try to block any legislative initiative that disrupts their one-sided negotiating power. As a result, many members of Congress have been reluctant to get in the middle of this debate and often have chosen not to take sides—leaving the issue unresolved. Nonetheless, NTCA will continue to push for action and educate members of Congress. NTCA will support both FCC and congressional efforts that reform the broken video retransmission consent negotiation process and end other anticompetitive tactics to give consumers better protection and choices.

CALL COMPLETION

To address ongoing call completion problems that have plagued rural providers, NTCA will continue to build support this year for the Improving Rural Call Quality and Reliability Act, which would apply quality standards to least-cost route providers and require these

middle mile providers to register with the FCC. The bill was introduced this Congress by Sens. Klobuchar and Jon Tester (D-Mont.) in the Senate and Reps. David E. Young (R-Iowa) and Peter Welch (D-Vt.) in the House. While this bill seems like a commonsense solution to a problem that has disrupted rural communities, businesses and families, some members of Congress remain reluctant to pass the bill. Allowing an FCC order to collect additional call completion data before Congress acts is often cited as a reason members of Congress choose to remain on the sidelines. In addition, there has been unfounded concern about the bill "regulating the Internet" because of the IP nature of least-cost route provider service.

Despite misguided faith in the FCC's order to resolve the problem and error about the bill regulating the Internet, the bicameral, bipartisan support building on Capitol Hill demonstrates growing concern by members of Congress about this important issue. Klobuchar has said, "Chronic phone call completion problems cause headaches for families trying to stay connected, hurt small businesses trying to reach customers and endanger citizens trying to make urgent calls." To move these bills forward, it will be incumbent upon NTCA and our members to add additional co-sponsors to these bills this year. Increasing the number of co-sponsors will send a strong message to congressional committee leadership and the FCC to address this issue, which has been ongoing for far too long.

CYBERSECURITY

Last year, Congress approved legislation, which NTCA endorsed, that provides liability protection and makes it easier for the government and business to share cybersecurity data. However, as a result of ongoing cyberattacks, Congress will likely continue to focus on protecting the nation's cyber infrastructure with additional legislation. Further debate and legislative proposals remain likely as the federal government and business community remain on high alert regarding the increasing number of cybersecurity attacks on the government, private industry and individuals. NTCA will continue to support proposals that increase data sharing on a voluntary basis to increase data about cyber threat indicators, and will work with the broader business and technology communities to ensure policymakers understand the unique needs and challenges facing small, rural providers.

WIRELESS/SPECTRUM

The nation's spectrum crunch and the upcoming incentive auction will require members of Congress to focus increased attention on wireless issues in 2016. With Americans today relying ever more upon wireless services, policymakers will be working to ensure consumers have access to mobility options. As part of that effort, NTCA will continue to work with coalitions in the pursuit of spectrum distribution

LEGISLATIVE OUTLOOK

How to Achieve Policy Progress in an Election Year

CONTINUED

concepts that will more fairly allocate this limited valuable national resource. One bill NTCA supports to ensure rural access to spectrum is the Rural Spectrum Accessibility Act, which was introduced by Sens. Klobuchar and Deb Fischer (R–Neb.) in the Senate and Reps. Adam D. Kinzinger (R–Ill.) and Dave W. Loebsack (D–Iowa) in the House of Representatives. The bill would incentivize spectrum licensees to make unused spectrum available for use to expand wireless coverage in rural areas. NTCA will work with these members of Congress to gain additional support for the Rural Spectrum Accessibility Act and other bills that promote spectrum expansion in rural areas.

AFFORDABLE CARE ACT/CADILLAC TAX

Although the Patient Protection and Affordable Care Act (PPACA) was enacted into law on March 23, 2010, provisions of the law continue to roll out. The immediate rollout began in 2011 with insurance market reforms. Marketplace coverage, health insurance exchanges and the individual mandate to obtain health insurance became effective in 2014. The original effective date for the employer “play or pay” mandate was 2014. However, it was delayed until 2015. Yet one of the most controversial provisions, effective beginning in 2018, is the 40% excise tax, also known as the “Cadillac tax.”

The excise tax is assessed on health plans that cost more than \$10,200 for self-only coverage or \$27,500 for family coverage. In addition, the value of the employee and employer contribution to a flexible spending account, health reimbursement arrangement and pretax contributions to a health savings account must be included in the calculation to determine any excess above the threshold limits. The dollar thresholds will be adjusted by the consumer price index, plus 1%.

The 40% excise tax was designed to help raise revenue to pay for other provisions of the PPACA law and to target only high-cost health plans that provide rich “Cadillac” benefits to their employees. Unfortunately, several facts were overlooked when judging “high cost” plans, particularly geography and the cost of providing health care in rural, remote areas of the nation. Health care providers serving in metropolitan and urban areas are more likely to have several PPO networks in which to negotiate pricing

than health care providers serving in remote rural communities, where the purchasing power is not as strong. NTCA has joined forces with its membership and coalitions the Alliance to Fight the Forty and the National Coalition on Benefits to continue to advocate against this excise tax. The coalitions comprise public and private-sector employer organizations, unions, health care companies, businesses and other stakeholders that support employer-sponsored health coverage.

The Ax the Tax on Middle Class Americans’ Health Plans Act was introduced by Rep. Frank C. Guinta (R–N.H.) and the Middle Class Health Care Tax Repeal Act (H.R. 2050) was introduced by Rep. Joe Courtney (D–Conn.). Sens. Dean Heller (R–Nev.) and Martin T. Heinrich (D–N.M.) introduced a bipartisan companion bill to H.R. 2050, the Middle Class Health Care Tax Repeal Act (S. 2045). Additionally, Sen. Sherrod Brown (D–Ohio), along with a group of Democrats, introduced the American Worker Health Care Tax Relief Act of 2015 (S. 2075). Following the introduction of these bills along with a tremendous amount of work and activity by the coalitions, support to repeal the 40% excise tax continued to increase within both chambers of Congress.

Subsequently, as Congress began to wrap up its year-end work on an omnibus package that included a two-year delay of the 40% excise tax, the House passed the package with a vote of 316–113, the Senate passed the House omnibus package with a vote of 65–33 and it was signed into law by President Obama on December 18. The omnibus delays the effective date of the tax from 2018 to 2020 and provides additional time for NTCA and others that recognize the importance of full repeal to develop a new strategy and outreach for 2016. NTCA applauds each member of Congress that spearheaded an effort to fully repeal the tax.

Given the many distractions facing members of Congress in 2016, it will be a challenge to direct their focus toward solving the issues confronting NTCA’s members, but NTCA will be actively working on Capitol Hill to ensure rural providers’ voices are heard and their interests represented. ■

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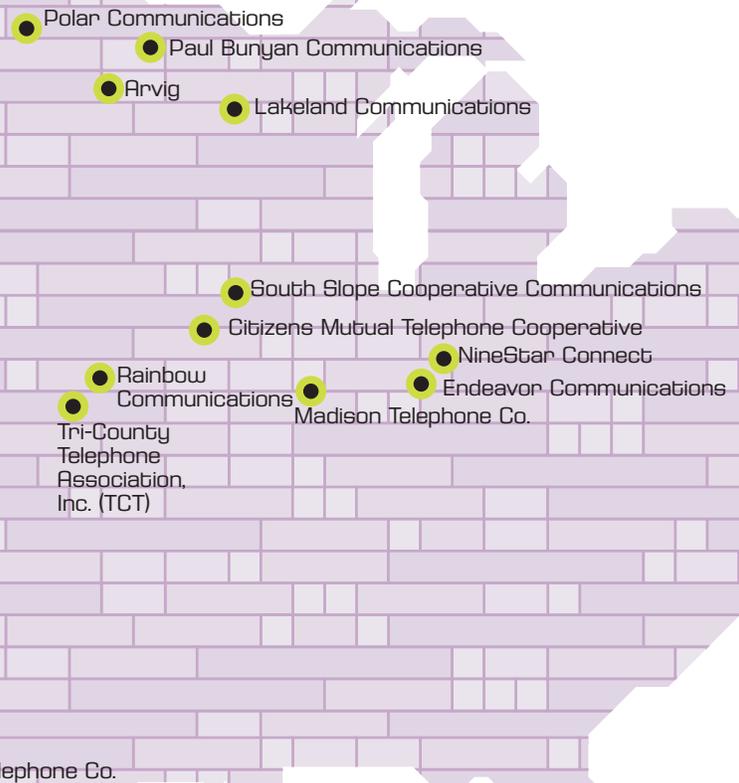
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PROFILES OF THE 2015 AWARDEES



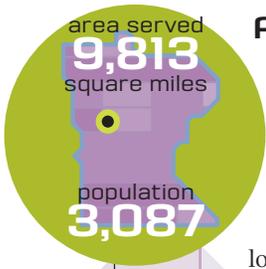
BY JOSHUA SEIDEMANN

In September 2015, NTCA-The Rural Broadband Association's Smart Rural Community (SRC) program recognized the third class of its Showcase Award-winning companies.

Earlier last year, SRC also provided awards to support broadband scholarships for distant students; remote monitoring capabilities for hospice patients; and a Wi-Fi network for a rural downtown shopping district. And, with the Foundation for Rural Service, SRC hosted events that explored smart agriculture and addressed the social and economic relationships between rural and urban America.

The 2015 Showcase companies demonstrate that distance and geography are not barriers to innovation, growth and prosperity. NTCA recognizes these providers for their deployment and promotion of broadband-enabled applications and platforms that promote commerce, economic development, education, health care, public safety and more.





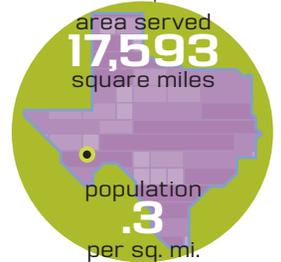
Arvig Perham, Minn.

The majority of Arvig's network is cable modem with 100 Mbps download and 5 Mbps upload. Fiber builds in new developments enable 50–100 Mbps and higher symmetrical service.

The Perham Fire Department serves 164 square miles. Each volunteer firefighter's smartphone includes a mobile app that allows the firefighter to view reported fires, use GPS to find the fire's location and confirm the availability of each team member. The app also identifies the location of nearby fire hydrants.

Big Bend Telephone Co. Alpine, Texas

Big Bend uses a mesh network of technologies, including fiber, DSL, fixed wireless and satellite, to provide service of up to 1 Gbps. Big Bend collaborated with the University of Texas (UT) and Texas Lone Star Network to serve the McDonald Observatory, the most remote facility in the UT organization. The observatory is home to one of the world's largest optical telescopes, and is operated jointly with domestic and international institutions. Served with 500 Mbps, the telescope is essential for searches for planets around other stars, other galaxies, black holes and other phenomena.



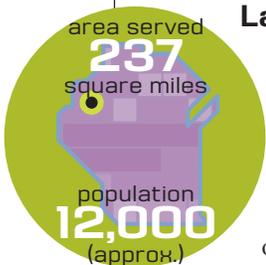
Citizens Mutual Telephone Cooperative Bloomfield, Iowa

Citizens' fiber network supports regional commerce, including steel fabrication, IT services and publishing. The ability to receive and transmit large files gives local businesses serving these industries a competitive advantage and has encouraged their location in the Citizens service area.

Endeavor Communications Cloverdale, Ind.

Endeavor is in the midst of a fiber build that will enable 1 Gbps upload and download capability.

Endeavor is a member of seven local chambers of commerce; three economic development boards; and the state chamber of commerce. Endeavor worked with business developers to bring an industrial park to the region. This facility, served by Endeavor's high-capacity network, attracted major firms, two of which occupy 1.75 million square feet and have brought more than 800 jobs to the area.

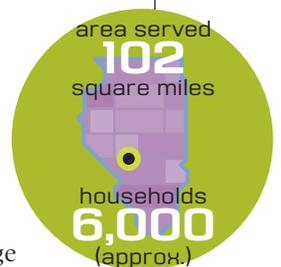


Lakeland Communications Milltown, Wis.

Lakeland employs a range of technologies that include fiber, DSL and cable modem, and can provide capacities up to 100 Mbps on existing copper and over a gigabit in any of the fiber-fed communities. Lakeland enables telemedicine for a hospital with six locations across two states. All campuses are connected, and charts, X-rays and other records can be reviewed at any location. Specialists and radiologists relying on these telemedicine capabilities are able to ensure off-hours coverage and can offer crucial care decisions at a moment's notice.

Madison Telephone Co. Staunton, Ill.

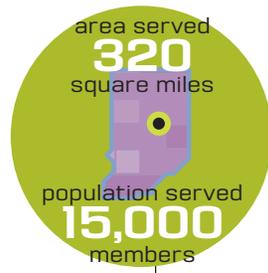
Madison utilizes fiber to the premise (FTTP), as well as fiber to the node (FTTN) and hybrid fiber/copper and fiber/coax. Madison partners with state agencies, chamber executives and economic development professionals to provide forums for utilizing broadband to extend market outreach, advertising, cost-efficient inventory and financial transaction applications, and public safety. The company's headquarters training room serves as a community computer lab where company personnel offer basic courses, as well as new technology workshops to encourage adoption and use.





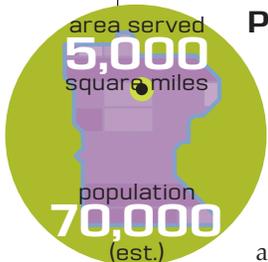
NineStar Connect Greenfield, Ind.

NineStar has deployed more than 1,500 miles of fiber, and offers residential and business customers capacities up to 10 Gbps. NineStar smart meters enable meter reading automation and time-of-use rates, eliminating costly readings and enabling users to identify purchase energy when it is most economical. NineStar Connect, itself a merger between a communications and energy company, has created an additional communications firm with an area energy company, and partners with other public utilities to deliver gig services to users in rural Indiana.



Paul Bunyan Communications Bemidji, Minn.

Paul Bunyan is fiber deployed to approximately 99% of its service territory. Paul Bunyan service supports incubation space for tech and engineering companies that features work stations and connected facilities for teleconferencing. Paul Bunyan also supports the Itasca Technology Exchange, which connects early-stage and expanding technology companies with high-speed, high-bandwidth network connectivity, data center services, office facilities, capital investment and business services to help grow technology business.



Polar Communications Park River, N.D.

As of July 2015, 95% of Polar’s customers were served by fiber, with the remaining 5% scheduled for completion by the end of 2015.

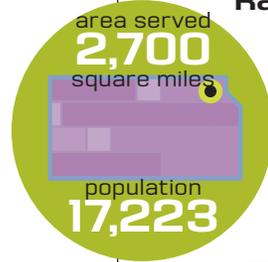
Polar supports local K–12 education with annual grants that enable the acquisition of advanced electronics and educational software. At the collegiate level, Polar worked with Mayville State University to create the first “laptop university” in the United States. Polar fiber supports a Wi-Fi network that enables the 1,000 students to connect campus-wide.



Rainbow Communications Everest, Kan.

Rainbow employs a network of fiber, fixed wireless and hybrid fiber/coax in its service areas offering capacities of up to 1 gigabit in some FTTP locations.

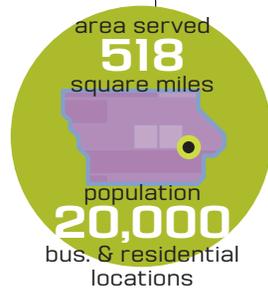
Manufacturing firms utilize Rainbow Communications’ broadband to implement and integrate systems governing order entry, tracking, shipping, inventory management and other Internet-enabled manufacturing equipment. Local agriculture, furniture and pet food manufacturing firms utilize Rainbow’s Fiber Active-Ethernet service, employing approximately 1,000 and supporting more than 450 connected industrial devices.

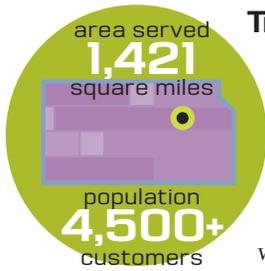


South Slope Cooperative Communications North Liberty, Iowa

South Slope is committed to 100% fiber deployment by the end of 2015.

South Slope provides broadband and multiple communications systems to a medical and classification center that houses 900 incarcerated individuals. The facility also houses a state-of-the-art medical division. South Slope met the judicial system’s demands for quick response times, innovative services, and safety and background qualifications.





Tri-County Telephone Association, Inc. (TCT) Council Grove, Kan.

TCT utilizes a native Ethernet/IP GPON fiber-to-the-home network with capacities up to 50 Mbps. TCT supports an electric cooperative that offers online billing and account management, including service connection and disconnection. These broadband-enabled systems decrease costs by monitoring, billing and provisioning service without truck rolls or direct mail. The initiative also encourages energy conservation and has fostered experimentation with alternative energy development.

NTCA also conferred an SRC Special Recognition Award to **ComSouth Telecommunications** of Hawkinsville, Ga. ComSouth provides service in an area where the median income is \$15,000 below the national average. The company supports a community technical college that offers 190 credit courses in an 11-county service area with gigabit service that enables students to attend all classes, irrespective of any student's location. It was ComSouth's efforts in local public schools, however, that earned particularly high marks. ComSouth partnered with the county school system to deploy telehealth equipment in school nurses' offices; the carts are connected to a regional health center that itself enjoys fiber connectivity.

Pulaski County School System Superintendent Jane Dollie Williams explained that "the goal of the program is to provide access to basic preventive and primary physical, behavioral and oral health services in a timely manner to children and youth in Pulaski County schools. Positive outcomes should include an increase in student attendance and the opportunity for the students who may not otherwise have easy access to health care." Williams continued by adding, "Typically, school-based telehealth centers are located in schools where a high proportion of students qualify for free or reduced school lunches, as this often coincides with students being uninsured. Pulaski Elementary School, through the Community Eligibility Program, provides 100% of the students with free breakfast and lunch. The middle and high schools have a combined 70% on free or reduced-cost meals."

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Back in 2013, Rural Telecom checked in with several telco executives

A ROUNDTABLE

We last asked rural-telco executives about the state of competition in 2013. Two-and-a-half years later, how would you say the competitive calculus has changed for the industry as a whole?

● **Tom M. Phelps**, Chief Executive Officer, ENMR Plateau Telecommunications (Clovis, N.M.): It certainly hasn't slowed down! The major wireless players continue to push out services that are extremely competitive with the services that we are providing our members/customers. Cable providers are continuing to be aggressive in pushing both competitive voice and data services. Recent

("Competition Today vs. 10 Years Ago: A Roundtable," July/August issue) to ask them how competitive strategies had changed during the prior decade. More than two years later, we asked another group of executives how they're helping their companies make operational and technological advances as a way of winning the customer-loyalty battle. • Their responses show how the industry has continued to push forward as the broader economy has slowly gained strength and regulatory uncertainty has increased—and just how fast industry changes have taken hold in the past few years.

COMPETITION IN 2016

market-place consolidations continue to enable large carriers to offer competitive services in more rural areas.

One of the biggest changes has been an emphasis on significantly higher broadband speeds.

● **David Adams**, Chief Operating Officer, Green Hills Telephone Corp. (Breckenridge, Mo.): I think a term the industry is learning to embrace is "coopetition"—cooperation and competition. Now more than ever, we are looking for opportunities to partner with other communications companies, which

BY CHRISTIAN HAMAKER



David Adams
Chief Operating Officer
Green Hills Telephone Corp.

“I think a term the industry is learning to embrace is ‘coopetition’—cooperation and competition. Now more than ever, we are looking for opportunities to partner with other communications companies.”

include fellow telcos, cable providers, regional fiber carriers, municipal networks and power utilities. We do not have to necessarily “own” the customer relationship and are comfortable being the last-mile provider in situations where it makes the most sense for both parties. In addition, gaining partners to share the cost of a buildout or investment helps create stronger business plans and generates a quicker return on investment for many opportunities that would not have become a reality had they been pursued by only one provider.

● **Lee VonGunten**, General Manager, Craigville Telephone Co. (Craigville, Ind.): The effect of and response to competition is unique to each company. Our company, like most rural ILECs, will never be able to “out-market” large service providers. Something in our DNA keeps us from overstating or embellishing sales material just to make a customer.

While competition continues to get better, so do most rural LECs. While wireless and video plays will continue to be of competitive concern, our competition can generally only beat us in the quality and quantity of their advertisements.

● **Allen R. Hoopes**, Chairman and Chief Executive Officer, Silver Star (Freedom, Wyo.): Competition has continued to get more intense, with mobile wireless providers and cable providers continuing to increase speeds and push for faster broadband capabilities. Technology continues to change the landscape as other devices support competition but also make consumers more dependent on a robust wired connection for their growing bandwidth needs—and therefore create new opportunities for our company.

An example of new opportunities would be Netflix as a video competitor but also a provider of 4K resolution video content that differentiates our broadband service over others in the market.

● **Brock Johansen**, Chief Executive Officer, Emery Telcom (Orangeville, Utah): Fiber to the premise has served as a way to differentiate our Internet services from cellular, wireless ISPs and other wire-based competitors. The advantages of fiber are so extreme that the

other competitors really cannot offer a comparative Internet service. For this reason, rural telcos that are able to move to fiber to the premise are in a much better state competitively. This is enhanced by the increased bandwidth demands of customers.

As managers, what do you do differently now than you did a few years ago? Where have responsibilities increased or simply changed?

Hoopes: As executive management, I believe we have had to delegate more to staff managers and direct reports. We have had to enhance our learning about all aspects of the broadband business and increase our regulatory and lobbying skills. The regulatory uncertainly right now requires a large amount of time understanding the key issues that can change our future regulated revenue streams.

It is increasingly difficult to stay on top of all the changes that are going on in our industry—both technology and regulatory issues. The job requires even more commitment and focus from executive- and staff-level management because the changes in revenue and technology are more rapid and have a greater impact on the company’s future viability than ever before.

The financial side of managing the business has become even tighter and does not allow for almost any mistakes. In prior years, we knew that our revenue base was largely stable and growth was also limited to population changes and economic development in our traditional service areas. Now we are realizing much more growth and positive change by pursuing other deregulated revenues, but the risks of a bad decision are also much higher for the company than ever before.

VonGunten: While general responsibilities may be somewhat the same, I have found the need to read and comprehend information has been on the increase. I spend more time trying to understand new technologies and our use of them. When you combine changes in legal, legislative, regulatory and technical areas, a manager’s reading and study time can be all-consuming. While the use of consultants



Allen R. Hoopes
Chairman and Chief Executive Officer
Silver Star

“It is increasingly difficult to stay on top of all the changes that are going on in our industry—both technology and regulatory issues. The job requires even more commitment and focus from executive- and staff-level management.”



Tom M. Phelps
 Chief Executive Officer
 ENMR Plateau Telecommunications

and professional services is always needed, I also must be able to comprehend the issues and know enough to ask meaningful questions. That is hard to do without spending the necessary time.

Johansen: With the uncertainty of proposed and recently passed regulation, I have had to devote more time to participating in and learning about regulatory changes on the federal and state levels. On the federal side, it feels like the current proposals will serve to further divide the rural telcos by creating differing methods of regulation. These proposals are further complicated by the funding caps and shortfalls currently in place. This is further confused by proposed changes on the state level. Regulatory uncertainty is creating more management and consultant expenses.

Adams: Making long-term investment decisions is as great of a challenge today as it has ever been. Regulatory uncertainty creates higher risk in business plans, capital investments and edge-out strategies, thus making skill sets such as forecasting and financial modeling a key component to a company's executive team. I think today's managers are hyperfocused on understanding the trends and economic drivers so that business decisions made today will continue to ensure a company's growth and success. Therefore, we are asking more and more from our people and our operational support system vendors to generate metrics and key performance indicators that will provide the necessary insight and understanding so that we may continue to invest in our rural communities.

Phelps: There is much greater emphasis on building a team that will adeptly deal with constant change. I now spend a significant amount of time putting in place the key personnel that will effectively lead this organization with continued success going forward.

Specifically, in terms of your company's day-to-day operations, how are things different now than they were in 2013, and why?

Phelps: Margins continue to shrink due to increased competition. While cooperatives operate on a "not for profit" basis, some profit is needed so the network can grow along with customer expectations. The need for margins combined with an uncertain regulatory environment has caused us to focus on revenue growth and expense reduction.

"While cooperatives operate on a 'not for profit' basis, some profit is needed so the network can grow along with customer expectations. The need for margins combined with an uncertain regulatory environment has caused us to focus on revenue growth and expense reduction."

Plateau has placed a new emphasis on sales, actually increasing expenditures in that area. At the same time, in an effort to reduce expenses, Plateau offered an early retirement incentive to certain eligible employees. As a result, approximately 15% of Plateau's workforce accepted the offer and have retired early. This has allowed us to take proactive measures to streamline the organization and reduce or combine a number of positions.

Hoopes: Our day-to-day operations have become more efficient and streamlined since 2013. As a company, we are seeking ways to improve the speed of service delivery and eliminate the number of touches an employee makes to serve customers. We are also looking at additional software enhancements and service provisioning elements that can enable the customers to make their own changes and reduce handling costs and overhead for the company.

We are continuing to push empowerment down in the organization and to improve employee training and education about our services. Changing the culture of the day-to-day operations to a more "sales" culture has also caused people to leave and others that are sales-motivated to come into the company. I believe these changes are a net positive for the company.

Adams: We are asking our employees to continue to diversify their skill sets and expand their expertise to support an all-IP world. Today, our technicians must understand the complex needs of a vastly diverse customer base, with enterprise business customers on one end of the spectrum and smart-home residential customers on the other end. Each customer set contains different technology requirements, but both the home and business necessitate creative solutions from an adaptive service provider. Therefore, our training initiatives have become part of our strategic plan and part of our culture. Going forward, our teams will be required to learn and to teach. In addition, succession planning has become paramount to ensure these essential skills remain in the organization as employees retire or leave.

Johansen: We have not made any dramatic shifts in operations since 2013 as a result of regulation changes. However, the conversion to fiber has resulted in a new outlook on pricing, marketing and maintenance. For example, in order to monetize copper technologies, speed tiers were maintained. This created pain for customers as they



Lee VonGunten
General Manager
Craigville Telephone Co.

hit speed caps. With the conversion to fiber, we did not see any reason to create the pain of lower speed tiers and had to develop other means of monetizing the fiber network. Some of these changes have required a lot of planning and a complete change in strategy.

VonGunten: Fortunately, our day-to-day operations have not changed much. We have always operated in a lean fashion. We continue to see growth in CLEC and other diversified investments and have not experienced the reduction in total revenue that some companies have experienced.

Do you have a stronger foothold in your market than you did a few years ago, or are you facing more competition because of regulatory changes?

Phelps: Yes and Yes. Since we are the only provider in our markets to invest heavily in fiber to the premise, we are strengthening our position as the premier ultrabroadband provider. But the number of competitors, as well as their aggressiveness in marketing and pricing, is continuing to increase.

Adams: It is unlikely that price cap companies will continue to make the investments needed in rural America, despite the Connect America Fund (CAF) funding that is available to them. In many cases, their network infrastructure is simply too far behind to catch up with today's technology needs. CAF funding will not likely cover the amount of investment needed to bring these networks into the 21st century. So we have a tremendous opportunity ahead for small rural carriers to move into these markets and provide much-needed broadband to these customers. Further, we have the technical expertise, local presence and support, and a track record for investing for the long term.

Johansen: The goal for telcos has to be the installation of fiber. If the regulatory changes allow for this transition then the foothold will be stronger. If companies are attempting to compete on DSL technologies, then they will continue to feel increased pressure from competitive forces. We have also found ways to expand out of our traditional ILEC areas, which has served to increase our market share. There are opportunities in many areas for competition for cellular backhaul and business services, which are both high revenue products.

Hoopes: In the past two years, we have dramatically

“We have continued to enjoy total market share growth outside our ILEC, but we must continue to get better. We must be very aware of why we gained market share and do everything necessary to keep it.”

reasserted ourselves in the marketplace and have won back many customers that we lost to broadband-only competition in earlier years. We have entered adjacent markets to preserve our future and make us less dependent on regulated revenues. We have realized that we cannot forecast regulatory changes with any certainty. So we must chart our own course through revenue growth and expansion into new markets.

VonGunten: We have continued to enjoy total market share growth outside our ILEC, but we must continue to get better. We must be very aware of why we gained market share and do everything necessary to keep it.

What technological advances have you made since 2013 to remain competitive? How soon did you see results from any investment made to that end?

Johansen: The obvious one is fiber to the premise. This truly is the game changer in the industry. There are other things that can help, like increased network monitoring, partnerships with vendors like TiVo for increased video functionality and new construction techniques.

Hoopes: The biggest technological advance we have made is adding gigabit Ethernet services to our offerings in the last two years. We also added the ability using TR-69-compatible modems and other software to look inside a customer's business or home network and diagnose problems or provide information back to the customer about device usage or bandwidth needs.

We have seen immediate results about the gigabit offering in both demand and customer interest in our services. Customers have upgraded and are taking our company more seriously as a viable technology company that can meet their future needs for broadband and mobile wireless services.

VonGunten: The most important technical advancement has been our investment in fiber to the premise in combination with the right technology partners to assist us. Without a company like Calix to provide the optical technology and its associated administrative services, we would not be successful.

To be successful, all the puzzle pieces of technology, finances, people, strategy, culture and community must line up. To have these in proper order and balance is the desire of every general manager.



Brock Johansen
 Chief Executive Officer
 Emery Telcom

Phelps: Continued upgrade of our already very robust core network to provide carrier Ethernet services (including cell site backhaul) and increased capacity to our upstream Internet providers. Due to regulatory uncertainty and increased pressure on downsizing of Universal Service Fund support, Plateau has increased its presence in CLEC areas. Simply stated, the loss of USF revenues has forced Plateau to serve areas that provide greater economies of scale. As a result, we have also launched gigabit services in our CLEC markets and substantially increased our Internet speeds in our ILEC markets. We are also midway through an upgrade of our fixed wireless broadband service from an older pre-WiMax technology to LTE. As a result of these investments, we are currently experiencing a dramatic increase in broadband subscribers and carrier Ethernet revenues.

Adams: Since 2013, we have continued to deploy fiber into our networks. Bringing fiber to our homes and businesses has drastically decreased the amount of trouble in our networks and enabled us to use less overhead to support our network. Also, we have invested in data center services offering managed and cloud applications to customers. We expect these investments to complement our customers' desire for large broadband pipes that connect to robust network capabilities hosted in the cloud. Finally, we are evaluating the deployment of an over-the-top (OTT) television service to customers that complements the need for local off-air channels with a customer's desire to access content on an a-la-carte basis.

Each of you is well known as a leader in the rural-telco industry—an expert in smart technologies, change management, working with libraries and universities, or in some other way. Please explain how you've pushed your company forward in ways that can serve as a positive example for other rural telcos.

Hoopes: In December 2014 we became the first official retail provider of gigabit Ethernet Internet services in both Wyoming and Idaho. The announcement has certainly changed how the public perceives our company. We are dubbing the change in perception the "halo" effect. Since that announcement we have had over 1,700 Internet speed upgrades and sold 63 Gigabit Ethernet services. Even though

"The telcos in the state of Utah have cooperated with the Utah Education Network ... to form an amazing network. ... The telcos have formed a similar partnership with the Utah Department of Transportation. This public/private partnership has been very beneficial for both the telcos and the government agencies."

many customers have not opted for the Gig E speed, we have taken orders for many 100 Meg and 200 Meg connections. The announcement of the service has changed the customer dialogue.

Johansen: The telcos in the state of Utah have cooperated with the Utah Education Network (UEN), a statewide government agency, to form an amazing network. UEN has worked with the telcos to connect the universities, grade schools and libraries with fiber.

The telcos have formed a similar partnership with the Utah Department of Transportation. This public/private partnership has been very beneficial for both the telcos and the government agencies. It has also served as a model for connecting anchor institutions throughout the state of Utah.

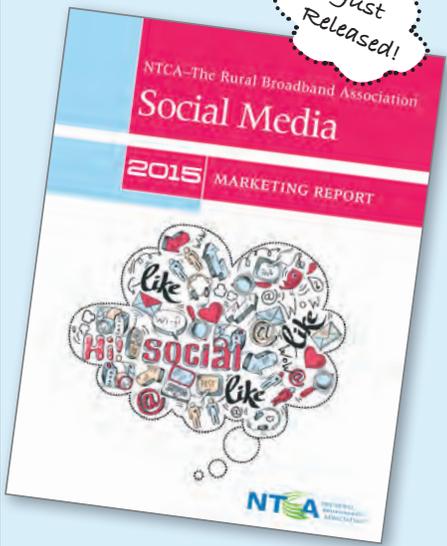
Phelps: The future of cooperatives lies in meeting broadband demand in a way that is competitive with services and costs that suburban customers receive. In an effort to meet that demand, Plateau exited the mobile wireless business. We realized that Plateau needs to fully concentrate on expanding our fiber network. This effort has been greatly aided by our decision to apply for and ultimately accept two National Telecommunications and Information Administration "middle mile" broadband grants.

Adams: A state-of-the-art network with the fastest broadband speeds will only take a company so far without a culture that is focused on proactive engagement with customers. Employees today must understand that "sales" isn't a dirty word and that all of us are empowered to act on the customers' behalf. We have the technical expertise, and our customers are relying upon us to provide the solutions they need. If we do not cherish that responsibility, customers will find other alternatives.

VonGunten: Success for our company simply means we have provided our community the basic technical communication services they want and need. While that sounds simple, it is not. The puzzle of technology, employee quality, community involvement, relationship-based marketing, professional customer service and network integrity is a never-ending project for all of us. While micromanagement does not work, I need to have a clear understanding of what is taking place in each area and that we, as a company, are implementing a successful all-around strategy. ■

Christian Hamaker is editor of Rural Telecom. Contact him at chamaker@ntca.org.

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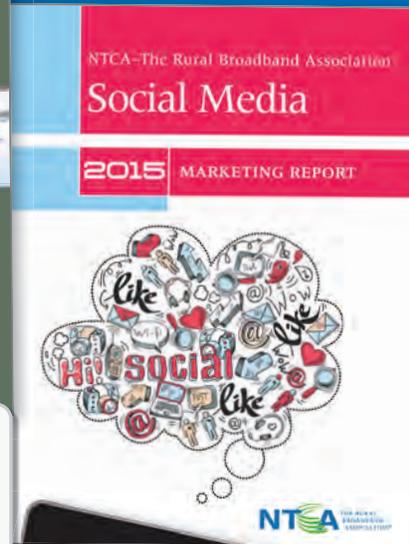
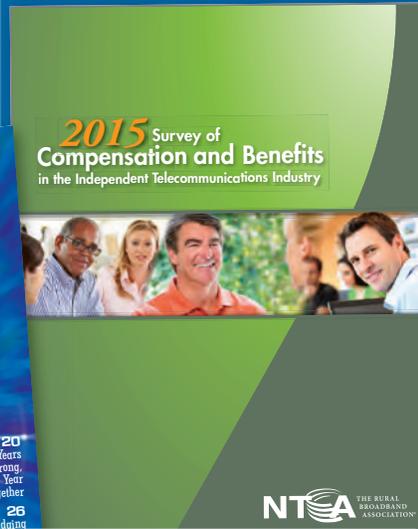
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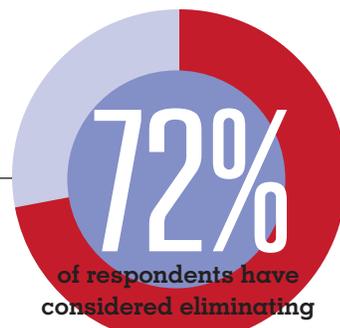
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The Challenging Video Landscape

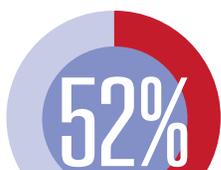


Rural video providers face an array of challenges according to a recent survey from NTCA–The Rural Broadband Association and INCOMPAS. For full details of the survey, go to www.ntca.org/newsroom.

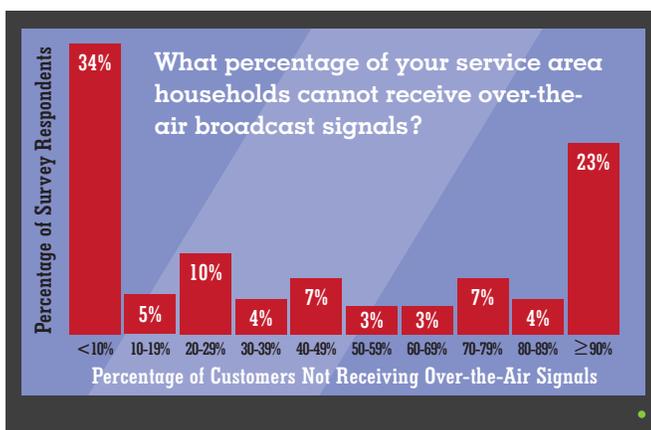
SOURCE: NTCA–THE RURAL BROADBAND ASSOCIATION AND INCOMPAS' 2015 VIDEO COMPETITION SURVEY (OCT. 2015)



PROVIDING VIDEO IS IMPORTANT



have experienced an uptick in broadband adoption in the markets in which they provide video service.



of respondents have considered eliminating certain broadcast and/or nonbroadcast programming and/or refrained from entering a market altogether as a result of rising programming costs.

AND IS COMPOUNDED BY NEGOTIATION CHALLENGES

Among other demands, respondents report that video content providers have:

Required obtaining nonbroadcast programming or services. **69%**

Required that broadcast programming negotiations coincide with other "must-have" programming negotiations (e.g., regional sports). **46%**

Insisted on non-disclosure of rates, terms/conditions, proposals to governments or courts. **48%**

BUT IT'S NOT EASY

In addition to reasonably-priced programming the most cited barriers to video include:

% of respondents citing issue

53%

Competing with other providers.

53%

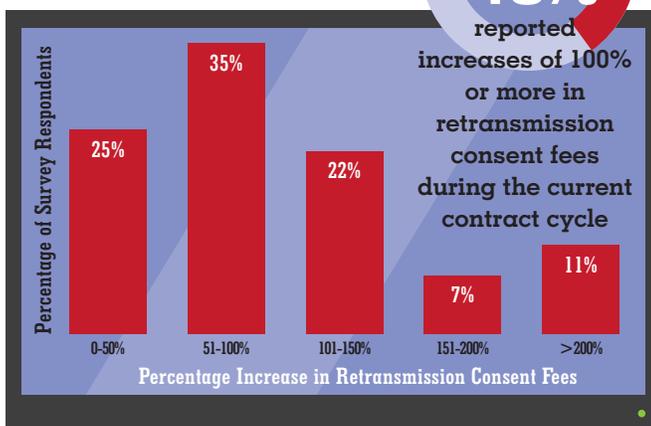
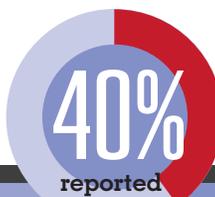
Making a business case for video.

36%

Cost of customer premise equipment.

35%

Cost of network equipment.



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A PERIODIC UPDATE ON EXECUTIVE TRANSITIONS IN THE RURAL-TELCO INDUSTRY



Longtime ATMC (Shallotte, N.C.) Chief Executive Officer (CEO)

Allen Russ, a former NTCA board member, retired from the telco at the end of 2015. We asked Russ about the changes he's seen in the industry during his time in the rural-telecom business.

You've been in the industry for many years. Before you were a general manager (GM), what was the one thing you least understood about the industry?

I'm going to have to give you two. First would be benefits—the difficulty in managing the benefit costs and keeping a balance between costs and providing the right level of benefits for our employees. Second is the regulatory issues facing our industry and the difficulties involved in getting legislators and regulatory agencies to understand the importance of supporting broadband deployment to rural America.

After you became a GM, what's the one thing you wished your employees better understood about the industry?

That we can't do it the way we have always done it; the importance of continuing their learning process as technology evolves in order to provide to the customer the latest and greatest communications services available anywhere; the importance of the customer and customer experience; "excellent customer service to every customer every time" in this ever-changing industry. (See the photo of me and one of our customer service representatives. The shirt says it all).

As you transition to retirement, what's your greatest hope for—and biggest fear about—the industry's future?

My greatest hope is that independent and membership companies will work together to form network cooperatives that provide pervasive, affordable and unrestricted open connectivity to any person, device or object. And that those that lead these companies will work to eliminate barriers between OTT and network providers as regulation, technology and competition drive open access. This effort will foster, and even maximize, the value of the local networks coupled with the open access in applications, which will allow advanced services to be available in rural markets on par with urban markets.

The greatest fear about the future I believe occurs if we allow fear and protectionism to divide us and eliminate our ability to work together in an open and trusted relationship. For there is no competitor, regardless of achieved economies of scale, no federal program elimination, and no technology that could ever damage NTCA companies to the extent that we can bring damage to ourselves by not working together to bring our mission and our purpose of benefiting our customers to fruition.





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 Has Sold Spectrum to  Advisor to Seller <i>January 2015</i>	 Has Been Acquired by BHT Holding, Inc. Valuation for Seller <i>December 2014</i>	 Have Sold Their Equity Interest in PBP BIDCO to  Advisor to Seller <i>May 2014</i>	 Have Sold Their Wireless Partnership Interest to  Advisor to Seller <i>March 2014</i>	 Has Sold Its Wireless Tower Portfolio to  Advisor to Seller <i>December 2013</i>	 Has Sold Spectrum to  Advisor to Seller <i>December 2013</i>
 Has Sold Its Wireless Partnership Interest to  Advisor to Seller <i>November 2013</i>	 Has Acquired VENYU Advisor to Buyer <i>August 2013</i>	 Has Sold Its Wireless Operation to  Advisor to Seller <i>July 2013</i>	 Has Sold Spectrum to  Advisor to Seller <i>June 2013</i>	 Has Sold Certain Wireless Assets to  Advisor to Seller <i>April 2013</i>	 Has Sold Fremont Telcom Company and Fretel Communications, LLC to  Advisor to Seller <i>January 2013</i>
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Mike Becker is the new GM at Hartelco (Hartington, Neb.), taking over for the retiring William Dendinger.



Rick Stevens is retiring as CEO of Triangle Communications (Havre, Mont.) in January after 31 years with the cooperative. Craig Gates will be Rick's successor.

Michael Burke is the new CEO at Matanuska Telephone Association (Palmer, Alaska), replacing Greg Berberich.

Tyler Martin is the new executive director at Kentucky Telephone Association (Lexington, Ky.). Forest Skaggs retired July 31, 2015.

Adam Wise is the new executive vice president of the Georgia Telephone Association (Atlanta, Ga.), replacing John Silk, who retired in December.

Rob Brooks has been promoted to president/CEO of ComSouth Telecommunications (Hawkinsville, Ga.), and Robert Krueger's title has been changed to executive vice chairman.

David Hunt is the new general manager at Glandorf Telephone (Glandorf, Ohio).

Zack Odell moved from South Central Telephone Association (Medicine Lodge, Kan.) to S&T Telephone Cooperative Association (Brewster, Kan.) as the new CEO, replacing Steve Richards, who retired. At press time, South Central had not yet hired a replacement.



Ron Chambers was promoted to GM at Progressive Rural Telephone (Rentz, Ga.), replacing Wayne Dixon, who retired at the end of June.

Randy Lis took over as GM at Piedmont Rural Telephone (Laurens, S.C.).

Charlie Boring is the new GM at Bledsoe Telephone (Pikeville, Tenn.), replacing Greg Anderson, who retired.

Chad Bullock is the new CEO at West Central Telephone Association (Sebekka, Minn.). Tony Mayer retired.



Tim Brinkman is the new GM at Garden Valley Telephone Co. (Erskine, Minn.). George Fish retired.



Josh Netland is the new GM at Emily Telephone Cooperative (Emily, Minn.), replacing the retired Bob Olson.

Scott Hobson is the new GM at Palo Cooperative Telephone Association (Palo, Iowa), replacing Kirby Underberg, who took a job at Chariton Valley Telephone Corp. (Macon, Mo.) as assistant GM.

Aaron McCartan is the new shared GM at Titonka-Burt Communications (Titonka, Iowa) and RingTel (Ringsted, Iowa). Jim Mayland, former GM of Titonka-Burt Communications, retired, and Tim Johnson, former GM of RingTel, left to pursue the seminary.

Michele Taylor is the new GM for Buggs Island Telephone (Bracey, Va.).

Mark Washington is the new GM for Five Area Telephone Cooperative (Muleshoe, Texas), replacing the retired Sandy Vandevender.

Darren Patrick is the new GM at West-Tex Telecom (Stanton, Texas), replacing the retired James R. "Bob" Wilson.

William Whitten is the new GM at Lake Livingston Telecom (Livingston, Texas). Terry Gentle has retired.

Kurt Witcher, formerly with ANPI, is the new GM at Livingston Telephone Co. (Livingston, Texas). He is also the chief sales officer for USConnect Holdings.



Dave Frigen was appointed CEO and executive vice president of RTC Communications (Montgomery, Ind.), replacing retired manager Steve Bartlett.

Mike Harian was appointed GM of Washington County Rural Telephone Cooperative (Pekin, Ind.).



New Garden Valley Telephone GM Tim Brinkman meets with Minnesota Sen. Al Franken.

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Results-Oriented Marketing

BY DEAN CARTER



In an effort to bring Rural Telecom readers marketing-related content on a more regular basis, we introduce "Results-Oriented Marketing," a new department that features one telco's particular marketing challenge, how the challenge was addressed and results of the campaign.

Pioneer Telephone Cooperative

Kingfisher, Okla.



The Challenge



As one of the largest telephone cooperatives in the nation, our everyday challenge is building our brand. At Pioneer, we live by the old adage, "Your brand is not what you think it is, it is what

your customers think it is" by continuing to ask ourselves daily, "What would our customers think?" If our customers already knew what our brand stands for, why would we worry?

Contributing Factors

The Pioneer team wanted to discover and define the Pioneer brand. That is a difficult challenge. Pioneer employs more than 575 diverse and unique people. When you have that many different people who deal with originations, vendors, customers and potential new customers every day, communicating a common brand is the most important job for a marketing team. In our case, the discovery of our brand was not an exercise in peeling an onion, but making it grow. We did not want to remove the many layers of history, education and knowledge that we had as a company, but shape the future by adding new layers and a clear voice. In the words of Zig Ziglar, "You don't build a business, you build people, and people build the business." The Pioneer brand had to start with our employees.

Marketing Plan

The primary focus of any brand should be to understand the total customer experience, which encompasses all of the possible places a customer interacts with your company. Researching the total customer experience at Pioneer uncovered three main layers of the Pioneer brand: visual representations, voice and message. Visual representations are anything that are visible to

employees and customers. A company logo that is current and matches the company image is vital. Fortunately, the Pioneer logo had already been updated and was ready for the next 60 years of business. With that in place, we decided that a company style guide would be the next step. The style guide would be the foundation on which the Pioneer image, culture and customers could rely on. It's a so-called "owner's manual" for the brand.

The second layer in our branding exercise was to give Pioneer a voice. We wanted to create a clear voice that everyone could use to train employees and interact with customers. It sounds easy, but in reality, creating a common voice encapsulating 575 employees is a lengthy and frustrating process. In the end, the results were extremely rewarding and proved to be the strongest layer of the brand.

The third important layer is similar to the second: a branded message or motto. In marketing, we call this a tagline, and it can be as simple as three words. (Think, "Just Do It.") It gives everyone something to hold on to, to rely on or to reach for. It can be the definition of a company. The Pioneer style guide created the tagline, "Taking you forward."

Results

The Pioneer brand has leapt forward several years. Leadership and recognition by the management team and board of directors that having a strong brand is important allowed our brand to grow and evolve. The solutions developed in the 33-page style guide created a marketing challenge and also a solution for Pioneer. Not having a style guide resulted in inconsistent presentations of our brand, and creating a guide has led to the beginning of a true Pioneer brand. ■

Dean Carter is marketing manager at Pioneer Telephone Cooperative.

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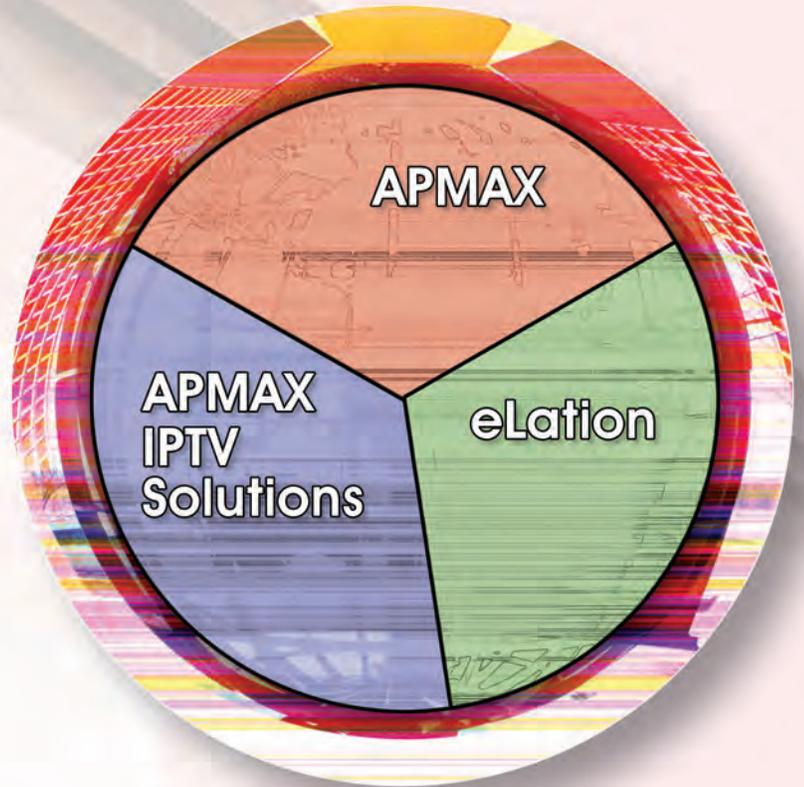
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