



February 2, 2011

John Cornyn
Texas Senator
517 Hart Senate Office Building
Washington DC 20510

Dear Senator Cornyn:

We are writing to ask for your help. Our rural telecommunication company needs your help in Congress as the Federal Communications Commission's (FCC) National Broadband Plan (NBP) is further developed. We specifically need your assistance in Washington to ensure that economic opportunities continue to exist in rural areas as well as in the urbanized areas of this country. We ask that you support policies that promote the growth and prosperity of the small towns we serve – where rural Americans rely on advanced broadband services to keep them technologically “on par” with their urban and suburban counterparts. Since, 1948, Ganado Telephone Company has provided local telecommunications services to Jackson, Matagorda, and Wharton counties, and we believe the economic opportunities broadband services provide should be made available to all Americans, no matter where they live.

There are several concerns that we have with the NBP as the FCC has proposed it. The NBP has several ambitious goals, one of which is the commitment to provide broadband capabilities of 100Mbps to 100 million households by the year 2020. That, in itself, is a very commendable goal; however, the goal set for the rural customers is only 4Mbps. The extremely low speeds proposed for rural areas will create inequity in service between urban and rural customers. Without robust broadband connections, our customers will be limited in participating in many economic activities that will be available in the cities. For instance, in the Ganado Telephone Company service area, we have medical clinics that will require higher broadband connections to support tools that include telemedicine and remote diagnostics. There are also several financial institutions, petrochemical plants, and school districts in our area that require high levels of connectivity over multiple branches, offices, sites, and campuses. A 4Mbps connection will not support these communication needs through the year 2020.

The plan also has some adverse consequences for rural customers with regards to how the Universal Service Fund (USF) mechanism is altered. Almost all rural carriers, including ours, took out loans through the U.S. Department of Agriculture's Rural Utilities Service (RUS) or a private lender long before the NBP was proposed. However, there is no mechanism in the NBP that ensures our company has the resources from USF to repay the loans of approximately \$9 million dollars that we have already incurred for construction of past infrastructure investments, in our case fiber optic cable, to reach our customers and meet their telecommunications needs. Our

rural companies have lead the way in modernizing our networks and efficiently providing telecommunication services to our customers in areas where other providers either will not or cannot make the effort or commitment. Like many small businesses in our nation, this effort has required long-term financial assistance to expand to meet the demands of our customers. Small rural telephone companies and cooperatives are often part of the economic backbone of the small towns where they are located, and have payrolls relatively large compared to total employment in their towns. The lack of a mechanism to repay construction loans for broadband projects we undertook before the National Broadband Plan was proposed will eventually put our company into default on its construction loans. If the value of our company is destroyed due to an inability to repay our infrastructure investment loans, then our company's 36 local employees and managers will be left unemployed.

At a time when the focus is on job creation and balancing budgets at all levels of government, there's potential that our local economy could lose about \$1,757,800 in local payroll, in an area where jobs are already scarce. Our company property investment is about \$27,100,000 and the taxes it generates of about \$126,000 supports multiple counties and community fire, water, and school districts. Moreover, our employees pay an estimated \$54,000 in property taxes that would be lost. Without continued investment and upgrades to our facilities, this community support will diminish. On top of that, USF reform will go from being revenue neutral from a budgetary standpoint (because USF does not come from tax dollars) to a drain on the general revenue because RUS has about \$9,144,000 in outstanding telephone loans to this company, the repayment of which will be placed in jeopardy.

Ganado Telephone Company has worked very closely with our customers to provide "outside of the box" solutions and services to meet their communication needs. One such example is a project in which we worked with 3 separate local school districts to aid and assist with their ability to educate our youth. We brought together administrators and tech representatives from Wharton County Junior College, Ganado I.S.D, Louise I.S.D and Palacios I.S.D. to plan and deploy a distance-learning network. The finished product allowed students of all three school districts to schedule classes that were instructed by a Junior College professor over a two-way audio and video network. This allowed many of our youth to graduate from high school with up to 12 hours of college credit already earned.

We extend a sincere invitation for you to visit with us, our employees, and community leaders at your convenience so you may see firsthand what our company does as a good corporate citizen to support our customers and community. We ask you to please keep our business needs in mind as the National Broadband Plan is developed and the USF and the methods for intercarrier compensation are reformed to fit the new technology of today.

Sincerely,

Russell W. Kacer
Executive Vice-President

Bill Rakowitz
General Manager