

West Liberty Index

Melick: New FCC plan threatens access in West Liberty, rural America

by Sara Sedlacek · July 07, 2011

According to the Congressional Telecommunications Act of 1996, “Consumers in all regions of the Nation... should have access to telecommunications and information services... that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged in similar services in urban areas.” However, in recent discussions by the Federal Communications Commission (FCC), a new National Broadband Plan could leave places like West Liberty in the lurch when it comes to access to quality phone and Internet services. The issue, according to Liberty Communications President and Manager Jerry Melick and Marketing Coordinator Sandee Buysse-Baker, is extremely complicated.

“Congress said we need a national broadband plan and the FCC started on it,” Melick said. “We needed something. The Telecommunications Act of 1996 didn’t say a word about broadband and we needed a broadband plan.” The plan, which was authored by an outside consultant, was released in 2010. It was the FCC’s job to build the rules for the plan, and the assumption was that it would be very similar to the Telecommunications Act of 1996 in at least one way: it would continue the Universal Service Fund.

“The structure for the Universal Service Fund needed to be replicated for broadband,” Melick said. “The Universal Service Fund guarantees the same rates for the same service anywhere in the United States. Everyone pays a little bit.” The Universal Service Fund (USF) is what allowed smaller, rural telecommunications companies like Liberty Communications to upgrade its service. These service upgrades were necessary to ensure equal service in rural areas. The FCC, however, excluded the USF from the new plan. That, says Melick, is putting rural, local telecommunications companies, and their customers, at risk. “We have the capability to run 100 Mbps. We built it under the assumption that we would have access to the USF. If we lose the USF, our rates will go way up,” Melick said.

“We’re better situated than other rural companies, though. Other local telcos used USDA loans. If this plan goes through, they’ll default on those loans.” The FCC’s goal is to put 100 megabits per second (Mbps) access in 100 million homes but this will only affect large metropolitan areas. The standard, according to the National Broadband Plan, for rural areas will only be 4 Mbps, 25 times slower than what will be offered in metro areas. Melick and Buysse-Baker explained that the USF is being paid mainly by

long distance users. However, companies like Google and Netflix are the reason for increasing broadband traffic and aren't paying a dime.

"Customers are leaving traditional telcos and aren't paying the fee," Buysse-Baker said. If those companies paid their fair share, Melick and Buysse-Baker say the fund wouldn't be in danger, rates would remain low and investments would continue to be made in rural areas.

In addition to the potential loss of the USF, the FCC noted that it believes there are too many independent rural telecommunications companies and is making moves to consolidate. This means less access for rural users. There are currently 120 small, independent, rural telecommunications companies in Iowa; that's the most of any state.

These companies were formed by farmers and small-town residents in the early 1900's when large phone companies didn't want to put service in rural communities. Even today, larger telecommunications companies don't want to build service in rural, less populated areas. Verizon, for instance, sold most of what it owned in hard-to-serve rural America and pulled back to the metro areas.

Melick and Buysse-Baker have served on a taskforce of the Iowa Telecommunications Association that has been fighting the National Broadband Plan. The taskforce wrote 18 pages of Iowa-specific comments about the plan, which it took to the FCC.

"We've met with the FCC staff to talk about USF reform and inter-carrier compensation," Buysse-Baker said. "The FCC wants to reduce the rates the carrier pays and shift those rates to the consumer. The FCC just doesn't get it." Melick added, "This is the most ambitious FCC chairman and board we've had and I admire the fact that they're tackling these issues, but I think they're making decisions too fast."

Melick and Buysse-Baker, along with other members of the taskforce, have been lobbying Iowa's congressional delegates for months to educate them and ensure they understand what the proposed National Broadband Plan will mean for Iowa. "Our Congressional delegates have all been great," Melick said. "We got lemons at the FCC but we made really good lemonade at Capitol Hill. All the Iowa Congressmen and Senators signed a letter to the FCC."

To learn more about the National Broadband Plan and its potential consequences for Iowa, or to take action, go to www.thegreatdisconnect.org.

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