

TESTIMONY

OF

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TOTAH COMMUNICATIONS

On behalf of

The Organization for the Promotion and
Advancement of Small Telecommunications

Companies

and

The Western Telecommunications Alliance

Before the

U.S. House of Representatives

Committee on Energy and Commerce

Subcommittee on Communications, Technology and

the Internet

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Chairman Boucher, Ranking Member Stearns, and members of the subcommittee, thank you for inviting me to appear before you today. I am Mark Gailey, president and general manager of Totah Communications located in Ochelata, Oklahoma. Founded in 1954 as Totah Telephone, our family owned company now serves over 3000 telephone subscribers and more than 1000 DSL subscribers in sparsely populated areas of Oklahoma and Kansas.

I come before you as chairman of the board of the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and as a board member of the Western Telecommunications Alliance (WTA). OPASTCO represents more than 530 independently owned local exchange carriers in 47 states. WTA has a membership of approximately 250 rural telecommunications carriers in 24 states west of the Mississippi River. The companies and cooperatives represented by these associations provide numerous services to their communities including voice, broadband Internet access, video and wireless.

The recent enactment of the American Recovery and Reinvestment Act of 2009 (ARRA) has brought more attention and focus than ever to the effort to provide broadband service to all citizens of our nation. The broadband infrastructure funding included in that law should further the goals set forth by Congress and the Administration. However, as significant as the funding levels are for broadband build-out to be administered by the Department of Agriculture's Rural Utilities Service and the Department of Commerce's National Telecommunications and Information Administration, we realize that it will not get the entire job done. Nor will these grants

and loans provide for the ongoing operation, maintenance and upgrade of broadband networks.

This brings me to the subject of today's hearing - the federal Universal Service Fund (USF). OPASTCO and WTA believe very strongly that the Universal Service Fund High-Cost program should explicitly support broadband.

Historically, the goal of universal service policy has been to ensure that every American, regardless of location, has affordable, high-quality access to the public switched network and thereby benefits from a variety of telecommunications and information services. The provision of a robust telecommunications infrastructure in rural America would never have been possible were it not for the nation's long-established policy of universal service and the federal USF. For rural incumbent local exchange carriers, high-cost universal support is a cost recovery program designed to promote infrastructure investment in areas where it would not otherwise be feasible for carriers to provide quality service at rates that are affordable and reasonably comparable to urban areas of the country. Without high-cost support, this investment would not have occurred in the past and will not occur in the future. And, as we all know, the future of communications is broadband.

While the availability of broadband service is necessary, just as important is the adoption of broadband service, also known as the "take rate." There are many factors that spur adoption of broadband; computer availability and training come to mind. But the major factors are the price and speed of the service and the USF plays a very important role in making broadband both affordable and attractive for consumers.

Not that long ago broadband service to a small business or home was seen as a luxury. Today, that is not the case. Health care, education and commerce have joined communications and entertainment as applications that now make a high-speed broadband Internet connection a necessity.

Along with the inclusion of broadband as a supported service, the USF needs other significant reforms. The USF's contribution base must be expanded to include all broadband and voice connections, thus leading to smaller USF line items on consumer bills and more funding availability. The so called "identical support rule" should be eliminated which would result in cost savings to the USF and prudent use of the funds based on the real investment levels of competitive carriers, not the investment level of the incumbent. Both of these reforms would allow for removal of the existing cap on a major portion of the USF High-Cost program.

OPASTCO and WTA strongly believe that no cap should be imposed on the High-Cost program or any portion of it, so that sufficient funds are available for ongoing broadband investments and upgrades. Continual investment is crucial, because the broadband connections that are available today are not the networks that will enable rural areas and the rest of the country to compete globally five years from now. As the digital content on the Internet continues to grow, the products, services and applications that ride over the broadband network are becoming more and more bandwidth intensive, and are requiring ever-higher data speeds to accommodate them. In order for rural consumers to be able to access everything the Internet has to offer, rural carriers need to invest in more robust and intelligent networks that are capable of handling greater amounts of data. This is an ongoing process. For rural service areas, the benefits of a robust broadband-capable

network are pronounced. For example, a high-quality broadband network can enable existing businesses in a rural area to grow as well as attract new businesses to the area, both of which will energize the local economy. Put another way, the constraints imposed by capping the fund do not allow for consumer services and the job growth that our country desperately needs.

We also request that the USF be permanently exempted from the Anti-Deficiency Act (ADA) accounting standards. The imposition of the ADA on the USF, or even the threat of such an action, brings about uncertainty regarding future USF payments that thwart investment in communications networks and services. This would not only impact communications service providers, it would also have a chilling affect on rural health care, schools and libraries.

OPASTCO and WTA also oppose the implementation of reverse auctions, state grants, vouchers and other mechanisms that will only diminish the usefulness of the USF.

Chairman Boucher, I wish to thank you and Congressman Terry for the insights and leadership you have shown on this issue. Introduced in the previous Congress, the Boucher/Terry USF reform legislation was supported by both OPASTCO and WTA. Many of the reforms to USF that we have requested in this testimony were contained in that bill – broadening the contribution base, the inclusion of broadband as a supported service and the ADA exemption serve as examples. With the growing need to provide all consumers with the most up-to-date communications technologies and services, we cannot afford to wait much longer to address these issues. We look forward to working with you once again to move forward with progressive reforms to this very important program.

Now I would like to move to an important aspect of any USF reform effort: oversight and accountability. OPASTCO and WTA pledge to work with Congress and the Administration to make the High-Cost program accountable to the public. Strong oversight by Congress and the Federal Communications Commission is essential to the ongoing success of the USF. On the issues of transparency and the operation of the USF, all parties involved must work toward realistic processes and fair solutions to better administer the funds collected from communications consumers, and carry-out the social contract envisioned by supporters of this program.

In conclusion, for nearly 75 years our nation has supported the policy of universal communications service for its citizens. Throughout those years this meant telecommunications or voice service. Our country, our economy, in fact, our entire world has vastly changed and it is well past time to reform the USF. Broadband is the economic driver of the world economy. The United States must be a leader in deploying these communications technologies.

Thank you.