Statement of

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On behalf of

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"*The State of Rural Communications*"

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Chairman Pryor, Ranking Member Wicker, committee members, thank you for the opportunity to testify on this very important topic. My name is John Strode, and I am the Vice President-External Affairs of E. Ritter Communications Holdings, Inc. (Ritter).

Ritter was formed under the laws of the State of Arkansas on April 11, 1990. Ritter's parent company has been in business since 1886 and has operated rural telecommunications companies since 1906. Today, Ritter owns and operates three rural incumbent local exchange carriers (ILECs), two in Arkansas and one in Tennessee; a facilities-based competitive local exchange carrier (CLEC) and fiber network in Jonesboro, Arkansas serving primarily small and medium-sized businesses; and three cable television systems, one in a six-county area of Northeast Arkansas and one county in southeast Missouri, one serving a three-county area in North Central Arkansas; and one in a two county area of West Tennessee. Ritter has also developed a fiber network consortium extending from West Tennessee across Northern Arkansas to Fayetteville in Northwest Arkansas. Ritter currently provides broadband service, local and long-distance voice service, switched access service, special access and private line services, and cable television service.

Ritter has about 280 employees, with about 180 in Arkansas and 100 in Tennessee. Between all of its communications operations, Ritter serves nearly 33,000 telephone access lines, 26,000 broadband customers and 20,000 basic cable subscribers.

I have been involved with the communications industry in one form or fashion for more than three decades. Specifically, for the past 17 years I have been employed by Ritter and previously I worked for the Arkansas Public Service Commission. I am here to represent the hundreds of small ILECs across the country who strive everyday to provide quality voice, broadband, and other advanced services for all residents in their service territories. The areas these companies serve range from the Arctic Slope of Alaska to the outskirts of the Florida Everglades. Companies like Ritter across the rural telecommunications industry serve approximately 5% of the nation's population, but approximately 40% of the nation's land mass.

While the size of the companies, the geographic and topographical challenges they face, and their customer densities might all be different, one thing remains constant – the dedication they have to their communities. Many of the companies have invested in their communities through scholarships, community development programs, training programs, and most importantly well paying jobs. Companies such as Ritter live and work in the communities they serve, they are sources of economic development opportunities at home and critical links to economic development opportunities in distant markets, and they ultimately are the last line of defense in ensuring that the nation's universal service policies represent more than just words on a page.

UNIVERSAL SERVICE/INTERCARRIER COMPENSATION MODERNIZATION

The Federal Universal Service Fund (USF) and Intercarrier Compensation (ICC) mechanisms have served as critical components of cost recovery for network investments and service delivery in high-cost, rural areas for decades. The need for reform of these mechanisms has been discussed for a number of years, and there was a general recognition over the past several years

that these systems needed modernization to realize their potential in a "broadband era." Unfortunately, the transformation order released by the Federal Communications Commission (FCC) in November 2011 has instead injected uncertainty into the business of deploying broadband networks and offering advanced services in rural America. Given the long-term nature of investing in advanced networks, it is essential that some degree of reasonable predictability be restored – and a reasonable path forward for the recovery of such investments better defined – if our nation is to see the objectives of universal service truly achieved in this broadband era.

In previous appearances before the Senate Commerce Committee, representatives of the FCC have repeatedly expressed their intent to employ a data driven process in undertaking USF and ICC reforms. The FCC has also identified four pillars of reform that guided its efforts: (1) modernization; (2) fiscal responsibility; (3) accountability; and (4) incentive-based policies. We concur generally with these broad themes. There were indeed aspects of the USF program that needed updating to perform well over the longer-term and to reposition the system to support broadband-capable networks and shifting consumer demands. But unfortunately the data in the wake of the reform – and Ritter's own experiences as a network operator in hard-to-serve, high-cost areas for over 100 years – indicate that the recent changes should be revisited, or at the very least recalibrated, to achieve the ultimate objective of universal service: ensuring that every American has access to affordable, robust, sustainable broadband, voice, and other critical communications services.

When one considers that rural carriers were doing a "commendable job" advancing broadband deployment even as of several years ago (according to a group of FCC commissioners and state regulators)[1], and when one considers that rural telcos have been doing this work even in the face of declining ICC revenues and only minimal – approximately 3% annual – growth in USF, it becomes apparent that, even if the USF program may have needed modernization, it was also performing reasonably well in terms of advancing broadband in the most rural reaches of the United States within a fiscally responsible system. Moreover, accountability could be measured best and most easily through results. Even as more remains to be done to get broadband from basic speeds to the kinds of speeds demanded by consumers and businesses today, rural telcos were already doing a "commendable job" of reinvesting in network deployment to further this cause.

Modernization therefore could have taken a different track than what transpired, building upon the best of what worked but repositioning critical USF systems for the future. Instead, in the wake of the FCC's changes, there are a number of rural telcos adversely affected by new caps, cuts, and constraints on their cost recovery mechanisms. The reasons those telcos are affected by the changes vary, and each change needs to be evaluated carefully, consistent with a data-driven analysis, to see whether the regulatory changes are in fact helping to preserve and advance universal service objectives.

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[1] *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service: Recommended Decision,* WC Docket No. 05-337, CC Docket No. 96-45, FCC 07J-4, at para. 30 (2007).

As a representative of Ritter, however, I bring a unique perspective, in that our company is *not* as adversely affected as many others – at least yet – by the FCC's changes in terms of lost USF support. But, as we stand here today, these regulatory changes and the threat of more to come undermine predictability in the cost recovery mechanisms. This has in turn made it increasingly difficult for my company and many others like ours to decide whether and to what degree to invest further in advancing broadband. It is important that policymakers take steps as soon as possible to examine and address these concerns, to inject reasonable predictability into the cost recovery mechanisms for long-term network investments, and to promote continuing investment in rural broadband.

A good deal of the current regulatory uncertainty can be traced to two sources.

First, there is the FCC's ongoing consideration of whether to adopt additional changes, such as further reductions to ICC revenue streams or other USF changes such as reductions in the prescribed rate of return, on top of those already adopted. Given that the "dust has not even settled" on the changes already made and still being implemented, it is hard to see why one would race forward with additional changes that might only raise consumer rates further, reduce broadband investment, and/or threaten the payback of loans, including federal loans due to the Rural Utilities Service. It is hard to square such an approach with a commitment to a "data-driven" process.

Second, the FCC has adopted a model based upon "quantile regression analysis" (or QRA) that applies caps to USF support based upon a pool of data that appears to contain a number of errors and is difficult, if not impossible, for any single company manager to analyze. Moreover, the QRA model and resulting caps, at least for now, shift from year-to-year in ways that cannot be easily predicted. To be clear, rural providers like Ritter are not looking for guarantees with respect to revenue streams –we simply want some reasonable visibility into USF support and the ability to plan our businesses accordingly. The law requires that USF support be "sufficient, predictable and specific" – and the QRA in its current form does not permit company managers to make reasonable predictions about cost recovery revenues to be obtained even a few years out, never mind over the 20-year-plus life of telecom networks.

In fact, Ritter's multiple operating companies provide an interesting perspective on the flaws of the current QRA model. Based on the data used in the QRA model, it would seem at first blush that two of Ritter's subsidiaries, E. Ritter and Tri-County, are somewhat similarly situated based upon their "access lines per square mile" and several other factors. On the other hand, E. Ritter is located in the Mississippi River Delta where the soil is very rich and allows for cable to be buried, which provides a lower cost in the long run; while Tri-County is situated in the Ozark Mountains where the cable must be strung up on poles and overcome a 2,000 feet elevation change. The cost characteristics of Tri-County are many times greater than E. Ritter and Tri-County is very close to the caps set by the regression. There are many legitimate reasons that some companies have high costs and the regression should be used as a tool to identify companies that need further examination, not as a blunt instrument to excise funding based on an arbitrarily determined percentile.

Such oddities in the caps are compounded by data errors in the underlying QRA model that is used to develop the caps. For example, Tri-County's service area is 120 square miles larger than the FCC's accounting in the model. Similar calculation errors have been found in companies across the country. While each data issue on its own might not seem troubling, because of the way in which the model looks at all telcos nationwide, a change in any given factor for a single company can actually cause significant fluctuations in the USF support that telcos across the country receive. The FCC is taking steps now to address a number of these data errors – but this will result in the entire model and the QRA caps effectively being reset at the end of this year, adding to the unpredictability as we all hold our collective breath waiting for the new caps to come out.

While much attention has been paid to the so-called Connect America Fund Phase 1 – which is aimed at giving larger carriers a near-term incentive to invest in rural areas – smaller rural carriers have been forced to put many significant investments on hold for the time being pending the resolution of the regulatory uncertainties described above. A recent survey conducted by NTCA–The Rural Broadband Association[2] underscores just how real the impacts have been. Out of 185 small carrier respondents, 127 indicated they have either postponed or cancelled plans to upgrade their network infrastructure due to lingering regulatory uncertainty. One-hundred and one of these respondents indicated that the combined value of the projects put on hold equaled more than $492 million.

More recently, a publicly filed outline of a meeting between U. S. Department of Agriculture (USDA) Secretary Thomas Vilsack and FCC Chairman Julius Genachowski further underscored these concerns[3]. That filing outlined the importance of the USDA's historic role of promoting rural economic development and financing rural utilities infrastructure. It also noted that the economic stability of rural areas depends on the availability of resilient robust communications infrastructure. But the filing then indicated that, in Fiscal Year 2012, only 37 percent of the telecom infrastructure financing made available through the USDA was used. USDA specifically cited communications from current and prospective borrowers of the program regarding hesitation to increase outstanding debt and move forward with planned construction due to the recent regulatory changes. In other words, it is not as if demand by carriers and consumers is not there – to the contrary, it is quite clear that consumers across the country are seeking increased levels of broadband, and as always, rural telcos are willing and eager to serve them. Rather, the concerns that have reduced loan demand arise out of whether the regulatory changes now being implemented and those perhaps still to come will preclude the payback of loans taken out to advance deployment of broadband-capable networks in rural areas.

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[2] This survey can be found through the following link: http://www.ntca.org/2013-press-releases/survey-shows-rural-telecommunications-carriers-postponing-delaying-network-upgrades-because-of-regulatory-uncertainty.html.

[3] See Ex Parte letter filed on 2/15/13 by Acting Administrator Padalino which can be accessed here: http://apps.fcc.gov/ecfs/document/view?id=7022122079

Such developments are disappointing when one considers what rural broadband investment means to the country as a whole. For example, the Hudson Institute released a paper in October 2011 highlighting the significant investment that rural providers provide beyond their own local economies – the study showed that they contributed $14.5 billion to the economies of the states in which they operated in 2009.[4] An earlier study indicated that every one percentage point increase in broadband penetration increases overall employment by 0.2% to 0.3% a year.[5] In short, broadband investment translates into jobs in the near-term, valuable infrastructure in the long-term, and benefits that flow not only locally, but regionally and nationally as well.

So how can we address these concerns as a country and get rural broadband investment back on track? Three key steps can and should be taken in short order.

First, the FCC should re-evaluate the QRA model and the caps it produces to ensure greater transparency, accuracy, predictability, and methodological integrity in their application. The caps should be phased-in over a longer period of time – especially given that the caps still need further development and particularly to the extent that they apply inappropriately to limit recovery of investments made years ago, before the rules were changed. The caps should also be used ultimately as a "trigger" that flags a carrier for additional review, rather than serving as an automatic disqualifier of recovery of certain costs.

Second, consistent with its commitment to a "data-driven" approach, the FCC should not adopt additional cuts, caps, and constraints on USF support and ICC cost recovery until it has fully implemented the changes already adopted and evaluated their impact on consumers. A number of the reforms already adopted and just now being implemented will result in rate increases on rural consumers and are slowing down broadband investment as noted above. Before undertaking changes that may only exacerbate these concerns, the FCC should take stock of the effects of its reforms on broadband deployment, broadband adoption, and end-user rates through a data-driven analysis.

Third, the FCC needs to define a path forward for a sustainable broadband future for consumers in areas served by smaller carriers like Ritter. The FCC created a Connect America Fund for larger carriers, but it left in place legacy USF programs for smaller carriers that reflect, on the whole, reductions in USF and ICC revenues. And the irony is that this legacy system *still* needs updating to serve the objective of universal service in a broadband-enabled world. Today, if a Ritter customer wants to stop buying plain old telephone service from our company and just wants broadband alone, that customer's broadband rates would increase because USF support on that line goes away under the legacy rules that are still in place. It is essential that the FCC update its USF mechanisms to avoid this result – it can and should create a targeted Connect America Fund in areas served by smaller rural carriers by providing sufficient support for the

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[4] The Hudson Institute study is available through the following link: http://www.hudson.org/files/publications/RuralTelecomOct2011.pdf

[5] (n.d.). Retrieved from website: http://www.brookings.edu/~/media/Files/rc/papers/2007/06labor_crandall/06labor_crandall.pdf.

networks (both last-mile and transport) that enable the availability of advanced services of all kind in rural markets, regardless of whether each customer chooses to buy just plain old telephone service on those networks. This does not require massive changes or reworking of the existing mechanisms along the lines of the Connect America Fund that is still in its second year of development for larger carriers – all that is required here is a technical fix to the existing rules to achieve the FCC's modernization objectives.

In the end, small carriers like Ritter and their representatives in Washington, D.C. remain committed to working with the FCC and other policymakers to ensure that the statutory promise of universal service is realized. The experience over the past decade proves that sufficient, predictable, and specific USF and ICC mechanisms drive investment, improve the quality of life, create jobs, and increase economic opportunities in rural markets. We believe that the several simple and straightforward steps noted above will make a significant difference in providing clarity to network operators, lenders, and investors, thereby allowing them to make informed judgments about where and when to deploy capital to build broadband-capable networks. We believe that these steps are consistent with the statutory objectives of universal service and the pillars of reform previously identified by the FCC. And, finally and most importantly, we believe that consumers and businesses in rural areas will benefit from efforts to facilitate greater certainty in communications markets and to define a path forward for sustainable rural broadband.

CONTRIBUTION REFORM

While debate has raged regarding the distribution side of the USF, many policymakers and industry parties alike continue to hope the FCC will soon finally tackle the contribution side as well. There are many in the industry and policymakers as well, who feel the FCC should have at least tacked contributions and distributions at the same time, if not tacking contributions first to better ensure a foundation for and appropriate "sizing" of the fund for the jobs required of it.

Contributions to USF are currently based upon interstate and international revenues from certain telecommunications providers. As consumer preferences shift, it has been widely recognized that the eligible pool of revenue that can be assessed to fulfill the statutory mandates of all four USF programs is declining.

The contributions system must be updated, much like the distribution side of USF, to account for these shifts and to ensure that those that rely upon next-generation networks contribute to their universal availability and access. Contrary to what many may wish to believe, the cost of deploying and using communications infrastructure is not costless – even in an "IP world," data must be moved from one location to another, and that takes transport facilities, routing, and delivery in even the most efficient and advanced of networks. We must therefore take steps to ensure that the USF is sustainable by capturing the broadest possible swath of those who benefit from the universal availability of the network; casting the contribution obligations more broadly will also help to reduce the burdens now being borne by only a subset of customers, most of

whom are making only minimal use of communications networks as compared to other bandwidth-intensive users.

Some have questioned the FCC's authority to expand the contribution base, but the FCC has ample authority under Section 254(d) to expand the list of assessable services to any services delivered by providers of "telecommunications." It has used this authority for years to assess contributions upon providers of interconnected VoIP services, and the FCC also long ago concluded (as upheld by the U.S. Supreme Court), even in classifying broadband Internet access service as an information service, that broadband Internet access service also includes a "telecommunications" component. There is thus no "classification" barrier to be resolved in rationalizing contributions, because the legal path to assess contributions on the provision of broadband Internet access services is clearly laid out in the Act and already well-supported under existing FCC policy and precedent.

Furthermore, it makes sense in the current environment, when the USF distribution mechanisms are being reformed to focus more on promoting broadband deployment, that the contributions system should also look to broadband to support such deployment. Indeed, if the FCC can distribute USF support to enable the deployment of broadband-capable networks, as it has done in the wake of its November 2011 reforms pursuant to Section 254(c) (which refers expressly to "telecommunications services") and Section 254(e) (which refers to "facilities and services for which the support is intended"), Section 254(d) provides an even more straightforward route to require USF contributions based upon the clear and unquestioned fact that broadband Internet access service incorporates a "telecommunications" component. Taking this step to "broaden the base" and update the contributions mechanisms in short order is essential to make sure the USF is sustainable and to realize the nation's shared broadband goals.

IP TECHNOLOGY EVOLUTION

Communications networks are evolving, along with consumer preferences and the demand for advanced services. As noted earlier in my testimony, rural network operators and service providers have been at the vanguard of anticipating and responding to these changes, doing a "commendable job" according to a group of FCC commissioners and state regulators charged several years ago with evaluating the progress of investment in advanced infrastructure.

The numbers bear this out – they show that small rural carriers are no longer interested in just being telephone companies. Instead, these small businesses have been at the forefront of investing in their networks and making all kinds of cutting-edge services available to consumers. A recent survey released by NTCA found that its entire membership of small rural telecom providers now include broadband within their service offerings;[6] a study a few years ago by the National Exchange Carrier Association (NECA) further found that smaller rural carriers could deliver at least basic levels of broadband to 92% of their customers as of 2010, and that more

[6] This survey can be found through the following link: http://www.ntca.org/images/stories/Documents/Advocacy/SurveyReports/2012ntcabroadbandsurveyreport.pdf.

than half of smaller carriers had deployed or had plans to deploy next-generation, IP-enabled switching and routing technology in place of legacy telephone switches by 2011.[7]

Consumer demand for services on these advanced networks is on the increase as well – the above-referenced NTCA survey indicated that the consumer "take rate" for broadband (*i.e.*, the rate at which consumers who can get access to broadband are choosing to purchase it) is nearing 70%. In other words, these rural networks are not being built just for their own sake, but precisely because real customer demand is driving them – including demands for higher-speeds that require additional investment and upgrade beyond the basic levels of broadband that many small rural carriers can make available today. Small carriers have demonstrated their commitment to promoting broadband adoption in a variety of ways beyond just trying to deploy the best possible "future proof" networks. From providing home-network installation and computer/online literacy training to participating in the FCC's Broadband Lifeline pilot program, rural telcos are looking to make sure that as many consumers as possible get onto the network and that they recognize and realize the value of the services provided. Broadband adoption is not just a one-time event – it requires a commitment to ensure that each customer finds good reason to *stay* on the network once they've chosen to subscribe, and as community-based providers, small rural carriers are as well-positioned as any to make that case.

The question then becomes how do we promote and sustain this evolution to next-generation network technologies, including IP-enabled services that depend upon a robust broadband foundation. To be clear, it is not as if the public switched telephone network is "dying" or that it needs to be "shut off" by regulatory mandate at some point. Nor is it the case that an IP-enabled service equals "the Internet." IP is just a technology, and there is nothing special about a network that uses IP that makes it the "Internet." There are plenty of networks maintained by firms ranging in size from the smallest rural telco to AT&T and Comcast that are privately managed and provide quality-of-service that is unavailable and unobtainable on the public Internet. Moreover, the evolution to IP technology is already occurring *as* the "public switched telephone network" becomes more of a "public routed communications network."

So it is an utter red herring to contend that this migration to IP-enabled services and underlying higher-speed networks necessarily means that everything is moving "to the Internet." IP may be a technology that is *used in* the Internet, but to be unmistakably clear, IP *does not equal* the Internet. Instead, what we are seeing is an evolution in technology that, while representing a significant leap in capacity and capability, is analogous to when we moved from analog to digital technology in networks decades ago. This is not to say that we should maintain the same old regulations as we migrate to newer network technologies – this is just to stay that we should not assume that the existing regulations are inapplicable or of no use as new technologies come on line simply because IP happens to have "Internet" in its name. In the end, core statutory principles relating to protection of consumers, promotion of competition, and assurance of

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[7] This survey can be found through the following link: https://www.neca.org/cms400min/NECA_Templates/PublicInterior.aspx?id=100.

universal service apply by law to all communications, regardless of the technology used on underlying networks.

It is important that policymakers approach the debate over how to promote and sustain the ongoing IP evolution with this backdrop in mind. The FCC is considering such questions now in the context of a pair of petitions filed by NTCA and AT&T in late 2012. Our belief is that policymakers can best promote and sustain this ongoing evolution through carefully designed regulatory policies that do not "prejudge" the value (or inapplicability) of specific rules upfront. Policymakers should neither dismantle the current regulatory framework simply because services are being provided via IP technologies, nor should they leave existing rules in place and simply hope that they serve the same purpose they once did.

The former option, which NTCA has characterized as taking a sledgehammer to existing regulations, would create a regulatory vacuum that undermines the interests of consumers and defeats the objective of providing regulatory certainty. Customers have felt the negative impacts from the absence of adequate regulatory oversight of services. Those impacts are underscored by rural call completion issues. Those impacts are felt by customers whether the services are IP-enabled or otherwise. The latter option, meanwhile, would turn a blind eye to the fact that consumer expectations *are* changing and services *are* evolving and that regulations must be re-evaluated periodically to determine if they have redeeming value and purpose.

The NTCA petition therefore charts a middle course that would look at existing rules to see if each rule still has value in serving the statutory goals of consumer protection, promotion of competition, and universal service. This approach has the benefit of starting from a well-known regulatory framework that gives certainty to consumers, investors, lenders, and the industry, but recognizing that there may be the need to modify or discard elements of that framework to the extent needed to address technological change or other factors. We support such a comprehensive and thoughtful review of the regulatory framework, and we also encourage the FCC to take certain targeted steps in the near-term to accelerate the IP evolution – such as tailoring universal service support to support broadband more directly and ensuring reasonable interconnection between IP-enabled carrier networks.

CALL COMPLETION

Rural consumers and the carriers that serve them are losing faith in the ability of regulators to ensure seamless connections across critical communications networks. Increasingly over the past few years, calls do not get through to rural areas – or when they do, they often have quality problems. This large scale problem is seriously and negatively affecting not only consumers, but public safety and the viability of businesses that are located in rural areas.

The problem stems from choices made by originating long distance carriers to use the cheapest possible route to transmit calls to rural areas – with the apparent sense that, if the calls should happen not to get there because the least-cost router in the middle failed to deliver the call, there is little regulatory or economic consequence (if any) for such failures. The solution to this

problem lies with the originating long distance carriers that need to better police their service quality, and meaningful oversight and enforcement action by the FCC is needed to prompt such a solution.

The FCC recently released a Notice of Proposed Rulemaking (NPRM) which would force carriers to retain information so that the scope of the problem could be ascertained on a company-by-company basis and enforcement action could be pursued. However, to date, that NPRM has not been published in the Federal Register and no comments have been filed – this is more than 2 years after rural carriers and their trade associations first brought this issue to the attention of the FCC. The FCC also recently announced a "Consent Decree" with Level 3 Communications, in which the carrier paid a "voluntary contribution," to monitor its call completion performance, and to pay additional amounts if its performance failed to satisfy certain metrics.

In the interim, unfortunately, there has been no measurable and sustained improvement in overall call completion rates to rural areas, and calls continue to fail at an alarming rate. The FCC has made it clear that carriers may not block, choke, or restrict traffic. But these words have done little to deter call failures on their own, and only strong oversight paired with effective FCC enforcement action against offending carriers will ultimately put an end to the problem.

VIDEO ISSUES

Small carriers have been providing video service to their consumers for many years. In some areas this is done in direct competition with large cable companies, enhancing consumer choice. In more remote places where over-the-air signals may be weak and unreliable, this is a critical service to customers who need access to local news and weather reports.

Video provision is also a broadband issue, as small carriers frequently use the same infrastructure to deliver both video and broadband services. In fact, the FCC has found that these services are intrinsically linked.[8] When small carriers are able to offer video and broadband services together, data shows that broadband adoption goes up 24 percent,[9] which makes it more feasible to invest in broadband networks. However, small carriers' ability to deliver video and broadband services are impeded by outdated program access rules that make the business case increasingly difficult even for the nation's largest cable companies.

Retransmission consent rules that are now over twenty years old – and thus reflect a very different video marketplace – give programmers a stranglehold over video content and prevent small providers from negotiating market-based rates for programming. Increasingly, customers are facing blackouts of channels due to programmers' "take it or leave it" tactics, which are technically prohibited but occur frequently. In addition, evidence suggests that small and

[8] MB Docket No. 05-311, 22 FCC Rcd 5101, 5132-33, ¶62 (2007).

[9] *See* NECA comments, GN Docket Nos. 09-47, 09-51, 09-137 (filed Dec. 7, 2009), p. 6.

medium video providers pay up to twice the rates that large companies do for the same programming. And some types of content that is necessary for a viable service offering, notably sports programming, may be subject to even higher rates if it is available at all.

In addition, recent years have seen a spike in instances where separately owned stations within the same market coordinate their retransmission consent negotiations. Such collusion has enabled these separately-owned broadcasters to command retransmission consent prices that are 21 percent to 161 percent higher than each station negotiating on its own behalf could command on its own.[10] These high rates are in turn passed on to consumers and decrease competition in the local television market.

Customers must also pay ever-higher prices for video programming they do not even want because programmers force providers to buy multiple unwanted channels, and place them in basic service tiers, in order to have access to channels that customers demand. This "forced tying" prevents small providers from offering more affordable packages of channels, and is raising prices to unsustainable levels.

Technology and the video marketplace have changed drastically since the current program access regime was enacted over 20 years ago. Just as we are talking about the need to re-evaluate rules in the context of an IP evolution in communications networks, it is far past time for policy makers to reform these outdated rules and encourage, rather than impede, video competition and broadband deployment.

WIRELESS ISSUES

Rural consumers require access to a strong and reliable wireless network and rural carriers are attempting to meet that demand despite monumental challenges. A lack of interoperability across the 700 MHz spectrum may lead to spectrum lying fallow or islands of rural service with devices that cannot be used outside of a customer's home service area. A lack of fair and reasonable data roaming agreements with large carriers compounds the problem, creating barriers even when spectrum is interoperable. Furthermore, rural carriers often lack access to the equipment and handsets that are available to larger carriers.

The anti-competitive actions and advocacy efforts of larger carriers are pushing smaller players out of the wireless market, to the detriment of rural consumers whose only option for wireless service is often the local community-based telecommunications provider.

CONCLUSION

Small rural carriers like Ritter have been at the forefront of technological evolution and deployment of advanced services, driven by a commitment to the communities in which they live and operate and supported by cost recovery mechanisms that, while in need of updating, enabled

[10] *See* ACA comments, MB Docket Nos. 09-182 and 07-294 (fil. Mar. 5, 2012), p. 9

them to invest in high-quality networks in some of the most challenging corners of the United States. Small rural carriers also represent the lifeblood of economic development in their communities, providing well-paying jobs and critical connections to distant markets.

Universal service is a national policy codified in federal law. But it is much more than that – it is also a sensible reflection of the notion that our networks are made more valuable by the number of connections to them, and the data show real and meaningful payback to regional economies and the national economy through rural broadband investment. Universal service is therefore too important to be the subject of experiment or theory. We also cannot look at universal service merely as a question of "how many customers are connected right now?" Universal service cannot be viewed as a snapshot "scoreboard" of the number of customer connections in place at any given time. Instead, universal service will only succeed, and the universal service dollars put into network investments will only be effective and efficient and provide a return to the country as a whole, if the connections are *sustainable* – that is, if the networks that are built through universal service dollars are "future-proof" in terms of capacity and if the services that are available on those networks remain high-quality and affordable.

Small rural carriers remain committed to their communities and the consumers they serve in the face of changing technologies and shifting consumer preferences. But we can only carry out the mission of customer service in today's and tomorrow's communications markets if network operators have reasonable visibility into the ability to recover investments over time and if we can provide consumers in the hardest-to-serve parts of the country with the affordable, reliable cutting-edge telephone, broadband, video, and wireless services that they demand and deserve. The future of rural communications could be in question if small rural carriers cannot reasonably plan for the next round of network builds, or if calls do not complete to rural areas, or if consumers cannot gain access to affordable video or wireless services. We hope that Congress and the FCC will help make the promise of rural communications a reality through effective and sensible oversight that protects consumers, promotes competition, and ensures universal service.