

The Feds are Messing with Your Phone

By Travis Kavulla

The administration of Barack Obama has received a considerable amount of attention over healthcare mandates, EPA rules, and other policies which will cost some people their jobs and many more people higher medical and electric bills.

Another harmful administration policy—the destruction of Universal Service funding and Intercarrier Compensation, which helps pay for telephone, Internet, and wireless service in rural America—has not received the attention it deserves. This is because, rather than requiring Congressional action, it can and is being implemented at the sole discretion of a federal agency, the Federal Communications Commission (the FCC).

If implemented, these reforms will either stall or lead to the abandonment of the high-speed Internet and wireless projects which have led to greater connectivity for Montanans living in some of our most rural areas.

Intercarrier compensation charges, or “access” charges, are paid by long-distance carriers to phone companies which own the wires in the ground that complete phone calls. Currently, access payments make up one-third to two-thirds of rural telephone companies’ revenues in Montana, an average of \$56 per line per month.

The FCC proposal would **completely eliminate** this source of revenue over a period of several years, forcing phone companies either to raise their rates considerably or to abandon new investments like those that have been made in broadband Internet projects.

Similarly, the Universal Service Fund (USF) provides funding to rural carriers through a surcharge on all Americans’ phone bills. The average rural phone company in Montana receives \$51 per month per line in support. This, to be sure, is a subsidy, but it results from a federal law which requires phone service to be “reasonably comparable” in rural and urban areas. Without the access charges and the USF monies, rural Montanans’ phone bills would easily exceed \$100 per month—just for local phone service, not including long distance or Internet.

Using these funds, companies like Mid-Rivers Communications operating from Lewistown to Glendive, Triangle along the Hi-Line, 3 Rivers in the Golden Triangle and elsewhere, and even smaller companies like Northern Telephone in Sunburst have made long-term plans for building out cell towers and fiber-optic cable. The result has been wireless and Internet service in places where, a decade ago, it would have been a distant fantasy. But to support those services, these companies count on continuity in their incoming revenues.

If the FCC reforms are not stopped, those companies will likely have to halt their broadband build-out. Moreover, it may well become impossible for those companies to repay their loan obligations for even their existing infrastructure. Service would be abandoned, or farmed out to larger wireless companies like Verizon or AT&T, which could pick and choose the areas they

wanted to serve. (Currently, Mid-Rivers and Nemont are obligated to serve remote high-cost areas.)

The federal government is acting in a schizophrenic manner in its approach to broadband. On one hand, it has given out loans through the Rural Utilities Service to build out these Internet services. On the other, it threatens to strip companies of the funding they expected to have to repay those loans. This kind of inconsistency is exactly the type of regulatory uncertainty which has contributed to the economic crisis in the United States.

In an era when rural parts of Montana have seen double-digit percentage declines in their population, a selling point to people who would like to live in Scobey or Circle is Internet and wireless access. If those services cannot be expanded or, at a minimum, saved where they already exist, it will only feed this trend of depopulation, of young people leaving where their parents and grandparents lived, to seek what they regard as a life in a more connected area of society. Maintaining rural telecommunications is essential to Montana's future.

Please write, or better yet call, your Congressional delegation and let them know rural broadband is an essential service. You can reach them at: Sen. Max Baucus (202-224-2651), Sen. Jon Tester (202-224-2644) and Rep. Denny Rehberg (202-225-3211). You can find a template for your call or send a letter through the website www.saveruralbroadband.org

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