

**TESTIMONY**

**OF**

**CATHERINE MOYER**

**PIONEER COMMUNICATIONS**

**ON BEHALF OF**

**THE ORGANIZATION FOR THE PROMOTION AND**

**ADVANCEMENT OF SMALL TELECOMMUNICATIONS**

**COMPANIES**

**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 Catherine Moyer, director of legal and regulatory affairs for Pioneer Communications. Pioneer Communications is a rural telephone company headquartered in Ulysses, Kansas, a town with a population of about 6,500. Ulysses is the largest town within our service area. Pioneer Communications provides local telephone service to approximately 14,000 access lines within a 5,000 square mile service area. Of these 5,000 square miles, only about 15 square miles would be considered to be “town.” The remainder of our area is truly rural. We have 2,700 route miles of copper plant, with only 375 miles being considered to be “town.” Our overall subscriber density per square mile of service area is just under 2 subscribers per square mile.

In addition to phone service, Pioneer Communications provides cable television service, Internet access, and wireless phone service. Our Internet access is provided using dial-up, DSL and cable modem technology. We currently have just over 7,000 Internet customers, of which only 500 are dial-up. The other 6,500 Internet customers are high-speed customers that receive at least 6Mbps downstream and 512Kbps upstream. As percentages, high-speed customers account for 39% of our access lines and 57% of our customers. If dial-up is factored in, the total Internet access as a percentage of our access lines is 42%, and as a percentage of customers is 62%.

I testify today as first vice-chairman of the Organization for the Promotion and Advancement of Small Telecommunications Companies - OPASTCO. OPASTCO

represents more than 530 independently owned local exchange carriers in 47 states. The companies and cooperatives represented by this association provide numerous services to their communities including voice, broadband Internet access, video and wireless.

First of all, let me state our appreciation to Chairman Boucher and to Congressman Terry for the leadership that both have shown on the reform of the Universal Service Fund (USF). This program has a successful history of assisting communications network providers in their service to rural and low-income consumers. We look forward to working with Congress and the Federal Communications Commission to make the USF a part of the forward looking solution in the ever changing communications arena.

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. To rural incumbent local exchange carriers, high-cost universal service 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 may not occur in the future.

I come before you today to endorse and support the draft legislation authored by Chairman Boucher and Congressman Terry. While the membership of OPASTCO has concerns about some of the specifics contained in the text, the draft is a forward looking document. We commend Congressmen Boucher and Terry for their understanding of the ongoing revenue stream the Universal Service Fund provides and how it benefits consumers in rural and hard to reach areas of our country. This ongoing revenue stream keeps rates affordable for rural consumers as carriers utilize it to pay for switching, transport, and network maintenance. This draft transitions the plain old telephone support fund into a new and modern broadband support fund.

The draft continues the call for universal service support that allows consumers in rural, insular, or high-cost areas to have services and rates reasonably comparable to those provided in urban areas. Its contribution mechanisms will allow for the continued support of schools and libraries, rural health care and low-income consumers.

The draft expands universal service support to include high-speed broadband service and any other service that is determined to be a universal service by the Federal Communications Commission (FCC). We applaud this forward looking move to provide support for the broadband platform. Broadband is rapidly becoming the mode of delivery for practically everything consumers may need or want regarding communications: voice, data, education, health care and entertainment, just to list a few.

Entities that are required to contribute to the funding of the USF in the draft will reflect our modern broadband world. The FCC will be able to consider contributions based on revenues derived from intrastate, interstate and foreign communications by qualified communications service providers; working telephone numbers used by communications providers; and, any other current or successor identifier protocols or connections to the network used by communications service providers. This expansion of the contribution base should keep low volume users from paying more than their fair share into the fund.

Cost controls are included in the draft by providing for a limitation on the number of competitive carriers that receive support from the fund. We also appreciate the draft's recognition of the importance of intercarrier compensation and its relationship to the USF with the mandate that the FCC act on intercarrier compensation reform within one year. OPASTCO supports the removal of impediments to sufficient support mechanisms, including the parent trap.

Recipients of high-cost fund support would be required to provide high-speed broadband service defined as a download rate of 1.5Mbps. The draft mandates that the FCC review that speed requirement biennially and make necessary adjustments. OPASTCO suggests that the FCC also review the USF's funding level and ensure that the amount allows for the adjusted speed requirements. Additionally, OPASTCO supports the eligibility criteria and waiver process included in the draft which takes into consideration the many difficulties experienced by communications providers in rural and hard to reach areas.

We greatly appreciate the draft's permanent exemption from implementation of the Anti-Deficiency Act on the USF and the prohibition of the primary line limitation. The draft also addresses the issue of phantom traffic in a positive manner.

Accountability is addressed in Title II of the draft and we support the audit procedures, performance measures and reports to Congress that are included in the draft. For the Universal Service Fund to continue to serve consumers in a proper manner, accountability initiatives and procedures must be conducted in a way that gets verifiable and cost effective results. Adequate training for auditors using the FCC's prescribed USF criteria must be a priority, and this draft legislation provides for that.

In closing, OPASTCO endorses and supports the draft legislation authored by Chairman Boucher and Congressman Terry. OPASTCO and its members look forward to working with Congressmen Boucher and Terry, members of this subcommittee, and other members of Congress to ensure the consumers in rural America are not left behind, and that they have access to services and rates that are reasonably comparable to those provided in urban areas.