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## Return to Reform

With the appointments of Tom Wheeler to the post of FCC Chairman, and Michael O'Reilly as the fifth Commissioner, there is cause for some optimism among rural telecommunications and broadband providers. While the new Chairman's position on redressing the wrongs of his predecessor remains to be seen, we may find encouragement in the fact that, at the very least, we will not be fighting against the well-entrenched positions of the former Chairman.

Given this opportunity to begin anew, it is our hope that the current Commission will take an objective look at USF/ICC reform. To this end, we as an industry are also obligated to educate our public officials to the best of our abilities. Fortunately, after a shutdown-induced sluggish start to October, work has resumed on Capitol Hill, and already we have signs of progress.

Most recently, a bi-partisan letter was signed by 26 Senators, expressing many concerns of the independent telcos, and asking the FCC

to reexamine the Quantile Regression Analysis. While this is a small step in and of itself, it gives us a good marker to call upon during our advocacy efforts – particularly in any introductory meetings we may have with the new Chairman and Commissioner.

For our part, I believe it is very important that we take such opportunities not only to fortify our work in Washington, but to reenergize ourselves as well. It is all too easy to become discouraged with the slow pace of politics, particularly when the welfare of our businesses, and even communities, lay on the line. However, we are finally seeing our hard work pay off, and it only remains for us now to finish this year and begin the new one in full stride.

Luke Kail



# Reconciliation: Transformation Reforms and National Broadband Plan Goals

In the ongoing conversations between Congress and the FCC regarding USF/ICC reform, calls for increased accountability and transparency have become ubiquitous. Recent letters from both the [Senate](#) and the [House of Representatives](#) have further fortified these sentiments.

While such Congressional appeals to the Commission are useful in raising awareness for the regulatory dilemma facing rural telcos and their communities, they are often broad in scope and vague in nature. In essence, these actions from Congress lay the educational and political foundation upon which the industry must build its case. Congress has made it known that they are aware of the issues with the USF/ICC Transformation Order, and are concerned enough to let the FCC know as much—it is now left to the industry to pick up this proverbial ball and run with it.

In this case, a good starting point would be to remind the Commission and Congress itself what exactly is supposed to be accomplished with this Transformation Order, as well as the [National Broadband Plan \(NBP\)](#) that preceded it, and how much progress has been made (or not made) since the issuance of both. While many specific goals have been established in both documents, an overarching objective may be taken straight from the NBP: “[To] ensure every American has the opportunity to become digitally literate.”

This goal, while of paramount importance, is both profoundly simple and abstract. The simplicity of the statement may be derived from the succinct expression of a desired end-result: every American must be enabled to obtain digital literacy. Naturally, the implication is that broadband must be provided to every American. As is often the case with any epic undertaking, the “what” of the quest gives half the trouble of the “how.”

In response to the “how” aspect of the challenge, the FCC proposed a plan, now known as the USF/ICC Transformation Order. However, since its issuance in November of 2011, there have been precious few reports on the efficacy of the reforms. In fact, it appears as though the only assessments of the project’s impact so far have been from small rural companies that have been severely harmed by the new policies. In instituting a plan, particularly one of such magnitude and high stakes where the intended effect should be experienced by “every American,” should the designers not report frequently, thoroughly, and judiciously to those whom the plan affects?

The process of providing broadband to all Americans will invariably be complex and laborious, but entirely achievable so long as the proper plan is instituted and then executed properly. The past two years have seen numerous doubts raised regarding the validity of the FCC’s plan, and yet in spite of these objections, the rollout commenced and continues today. If indeed the Commission intends to continue with this same plan, the least that can be asked of them is to remain accountable for its implementation along the way.

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# Impact of FCC Reforms on Small Business

It's been two years since the FCC issued its USF/ICC Transformation Order and the negative impact of the Order is being felt more and more by small companies and their rural customers across the country. It is high time to question what has been accomplished thus far, now that we are two years into the phase-in of many of the reforms stemming from the Order. The first question to ask is whether we have made any progress in meeting the objectives of the National Broadband Plan. For example, how many of the 500,000 jobs that were supposed to have been created have actually materialized? One would have to search long and hard to find any new jobs created in rural America that could be attributed to the Order. In fact, the opposite is true – jobs are being lost due to the reduced revenue streams and the uncertainty created by the Order. Along these lines, small businesses continue to suffer with no reliable form of relief in sight – in one particular case, a rural company laid-off 45 of its full-time employees, which is about a third of its workforce; this was the first reduction in the company's 80 year history. [Click here to view the article.](#) Another small company has laid-off over half of its employees since the new regulations took effect.

Another question to ask is have the FCC's reforms resulted in any economic growth in rural America. The answer is a resounding “no.” In addition to workforce reductions, the uncertainty created by the FCC's flawed reforms is impacting the local economies served by the small companies in other ways. These regulations have dampened investment, and in some cases, companies have been forced to default on their loan obligations and are on the verge of filing for bankruptcy.

To make matters even worse, the FCC has placed a heavy regulatory burden on the small rural companies that has been a drain on their limited resources, making it more difficult to serve their rural customers. For example, referring to the list included in the [SCC Position Paper on Regulatory Burdens and Challenges](#), it has been estimated that a small telco spends approximately 900 hours each year complying with the numerous FCC filing and certification requirements – and the burden is growing as the requirements associated with the FCC's new Form 481 will be expanded next year and it will take even longer to complete.

On yet another note, due to a lack of adequate “policing” by the regulators, the quality of the rural network has been negatively impacted by certain large carriers that use intermediate entities to handle calls to rural areas. Some of these intermediate entities look for the least costly way to carry this traffic. In some cases, they drop calls that are deemed too expensive, resulting in the call completion problems currently experienced on rural networks across the country.

Because we are small with limited resources, and the vast majority of our time is consumed by the demands of meeting the communications service needs of our customers, there is a strong tendency to be overlooked by those who make the rules and regulations. The old phrase “out of sight, out of mind” certainly can be applied to the plight of the small companies. It has been the mission of the Small Company Coalition to make sure the “small voice” is heard, and we believe that as a result of our persistence, and in coordination with the efforts of others in the industry, our Congressional representatives and even the regulators at the FCC are beginning to take notice. In particular, with the new composition of the FCC, there seems to be more of an openness to view the impact of the Transformation Order with a “set of fresh eyes” and to make a good-faith effort to address the Order's well-documented problems—and that's all we're asking them to do.