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Rural Small Business Telecom Coalition Calls On Obama, Congressional Leaders To Address Economic Uncertainties Of New USF Rules In “Fiscal Cliff” Legislative Solution

In a letter sent this week to President Barack Obama, the Rural Broadband Alliance (RBA), a coalition of 200 rural telecommunications service providers, has called on the President and congressional leaders to incorporate language in “fiscal cliff” legislation that would bring more certainty to small businesses providing rural telecommunications services. According to the RBA, this would help reverse the job cutbacks, consumer rate increases, and other economic losses triggered by the recent implementation of new “well intentioned, but misguided” federal regulations on universal service that were put in place in November, 2011 by the Federal Communications Commission (FCC).

“We recognize and appreciate that the goal of the outcome of the broader fiscal cliff debate is to bring more certainty to our markets and accelerate our economic recovery, create new jobs, and improve the economic outlook for all Americans,” the RBA said. “This broader discussion lends itself to the inclusion of provisions that address the need for a careful review of well intentioned, but misguided FCC policies that are proving an obstacle to new investment by small businesses in rural America and creating rippling effects throughout the economy.”

RBA asked Obama to work with members of Congress to “bring more certainty to small businesses providing rural telecommunications services in order to reverse the chill on infrastructure investment and job growth” that has resulted from the regulations put in place by the FCC.

The FCC has begun implementing new policies that undermine an intricate cost recovery program, called the Universal Service Fund (USF). USF has been a model public-private partnership that has succeeded over the years in giving many rural communities access to the full range of telecommunications services, including broadband. This cost recovery program is based on the principle of universal service which recognizes the national benefit of ensuring that rural consumers have access to the same telecommunications services – and at comparable prices – as are available in urban and metropolitan areas. Federal law requires that the amount of funding available to carriers be predictable.

In the letter to the President, the RBA said that the new rules are stifling economic growth and prompting small rural telecommunications carriers to cut jobs and cancel investments resulting in additional private sector job losses for other businesses in the telecommunications supply chain in rural America and beyond.

“Unfortunately, the implementation of the new rules has already resulted in reduced investment in rural infrastructure, and the new rules have stifled job growth and led to increasing job losses in rural communities,” the RBA letter said. “Additionally, the new regulations adopted by the FCC in absence of collaboration with state regulators, as required by the Communications Act, have led to increases in consumer rates.”

The economic outlook for rural America has been made more challenging by the FCC’s new USF rules that are triggering sharp economic consequences largely because of the uncertainty facing rural telecommunications service providers, according to Steve Kraskin, executive director and co-founder of the RBA, who signed the letter.

“Instead of providing ‘sustainable’ and ‘predictable’ universal service support mechanisms, as required by the Communications Act,” the RBA letter said, “the new FCC rules have made it impossible for small rural telecommunications businesses serving rural communities to plan their investments and operations to serve their communities. Investments has been chilled, job creation has been placed on hold, and job cutbacks are being implemented in rural communities.”

The letter noted that a bipartisan group of lawmakers in the U.S. Senate and the U.S. House of Representatives have warned the FCC on numerous occasions of the unintended economic consequences of implementing the new rules. In a letter last month, Senator Jon Tester (D-MT), who was reelected recently to the U.S. Senate, called on Obama and FCC Chairman Julius Genachowski to “shelve” the new rules because of their economic impact. In another recent letter, Senator Tom Harkin (D-IA) called on the FCC to “revisit” parts of its new rules. Congress has held five hearings since the spring in which members of both parties expressed deep concerns about the unintended consequences of the new rules.

Recently, FCC Commissioner Jessica Rosenworcel warned that the complexity of the rule changes could “deny rural carriers the certainty they need to confidently invest in their network infrastructure.” She encouraged the Commission to consider simplifying the new rules in a way that is “fiscally sound, good for investment, and good for rural consumers.”

Additionally, the RBA letter cited an ex parte filing by the U.S. Department of Agriculture (USDA) in which Secretary Tom Vilsack and then-Rural Utilities Service (RUS) Administrator Jonathan Adelstein, a former FCC Commissioner, warned of the impact of the new rules on investment. The RBA letter to Obama also noted that the National Association of Regulatory Utility Commissioners (NARUC) has called for a delay in implementation of the new rules.

“Alarms have been sounded by significant numbers of Democratic and Republican members of Congress, state regulators, and members of the Administration, but the alarms have

gone unanswered at the FCC,” the RBA said. “The specific concerns expressed by multiple voices regarding the new universal service mechanisms adopted by the FCC have a constant theme.

“The new rules create unwarranted instability for the small businesses providing telecommunications services to much of rural America. The unwarranted financial jeopardy imposed on these carriers adversely impacts rural economic development and job creation in the communities they serve.”

In the letter, RBA called on the President and Congress to include language in the “fiscal cliff” legislation that would require that portions of the new rules be referred to the Federal State-Joint Board on Universal Service which was created by Congress in 1996 to review proposed changes in the USF rules. The FCC has not submitted the revised rules to the Joint Board for their review.

“We urge you to lend your support in working with Democratic and Republican members of both houses of Congress to utilize the ‘fiscal cliff’ legislation to bring more certainty to small businesses providing rural telecommunications services in order to reverse the chill on infrastructure investment and job growth that has resulted from the regulations put in place by the FCC.

“Specifically, we propose a suspension of several of the FCC universal service mechanism rules changes pending a referral of the rule changes to the Federal State-Joint Board and the issuance of recommendations of the Joint Board consistent with the intent of the Communications Act.”

Former Senator Byron Dorgan (D-ND), who wrote the portion of the law creating the Federal-State Joint Board, also called on the FCC earlier this summer to refer the rule changes for review by the Joint Board. Dorgan made his comments in a June 21 column in *Politico*. In the column, Dorgan warned the rules would, in effect, “hang up on rural America” and said the new rules would have unintended consequences, including job losses. Dorgan’s predictions are now coming true as the new rules are beginning to be implemented.

The RBA noted the suspension of the new rules would be consistent with overall Administration policy promoting economic development in rural America. The letter made reference to statements by the President in which he has outlined his commitment to economic security for rural Americans.

“We were again grateful when, in a speech on November 8, 2012, following your reelection,” RBA said, “you reaffirmed your commitment to a plan that places as its first priority the creation of jobs and economic growth and emphasizes the build-out of needed infrastructure in our nation.

“Mr. President, given the absence of FCC response to the substantive concerns of so many voices with regard to the consequences of the FCC’s new universal service mechanism rules, we respectfully borrow from Commissioner Rosenworcel’s recent statement and ask your

support to ‘seize the opportunities’ to take action that is fiscally sound, good for investment, job growth and economic development, good for rural consumers, and consistent with your priorities.”

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