



**Testimony of Trent Boaldin  
President, Epic Touch Company  
Before the Senate Committee on Commerce, Science and Transportation**

**February 28, 2006**

Mr. Chairman, Co-Chairman Inouye and members of the Committee, I am Trent Boaldin, president of Epic Touch Company, headquartered in Elkhart, Kansas. Thank you for the opportunity to appear before you today, both in my capacity as the president of Epic Touch, as well as on behalf of the United States Telecom Association (USTelecom).

Epic Touch is a family business that provides voice, data, and video services in southwestern Kansas. And, I'm proud to say, Epic Touch was among the first companies in the nation to offer broadband to rural America, starting with DSL deployment in 1997. And as you know, USTelecom's members include companies large and small, companies which deliver a wide range of services across the communications landscape, including voice, video and data over local exchange, long distance, Internet and cable networks.

Mr. Chairman, I address you and this committee with gratitude, because you are among the strongest and most important supporters of universal service in the nation. Thanks to the leadership of many here today, 98 percent of American households have phone service, and phone rates in rural Kansas are comparable to those in metropolitan Washington, DC. Rural carriers recognize that these achievements do not occur by accident, and we look to you to ensure these achievements are protected and extended as new technologies and economic trends sweep our industry.

As all of you are aware, universal service is in crisis, and I urge you to act this year. More and more providers of voice service are able to avoid universal service contributions – or at least reduce them – by, for example, utilizing technologies not anticipated in the 1996 Act. One Internet phone company solicits new customers with radio ads that mock wireline phone companies for the “mysterious” taxes and fees that appear on phone bills.

Unfortunately, as more and more consumers migrate to these alternative services, fewer wireline phone customers are left to support rural networks. The need for support does not diminish, and in fact these new services need rural networks to carry their calls. To match up the continuing need for funds with a smaller revenue base, the contribution rate must be ratcheted upward. This feedback loop destabilizes universal service and is clearly unsustainable. Six years ago, consumers paid 5.5 percent. Today, consumers pay almost twice as much – in excess of 10 percent.

The crisis in universal service is an important reason why USTelecom and its 1,200 member companies are urging this committee to update our nation's telecom laws. Our membership ranges from the smallest rural telephone companies and cooperatives to some of the largest corporations in America. Our business models are diverse. But a year ago, our board of directors unanimously adopted a plan for updating our telecom laws. We settled on two goals:

- Reform of universal service to ensure affordable, reliable telecommunications for all Americans in the 21st century;
- Establishment of consumer-controlled, market-based competition through the elimination of government-managed competition.

USTelecom believes these goals are mutually reinforcing and must be pursued together.

Prompt Congressional action to reform universal service will do much to ensure a sustainable system for rural and low-income customers, as well as schools, libraries, and rural health care facilities. To strengthen and preserve universal service, USTelecom has embraced three key reform principles:

- Broaden the base of contributors to include all providers and both interstate and intrastate calls;
- Target support to those providers offering Basic Telephone Service; and
- Provide universal service support to networks in order to speed broadband deployment.

We are encouraged by legislation that has so far been introduced by members of this committee. We see many provisions that reflect USTelecom principles. Senator Burns' new bill, S.2556, broadens the contribution base to include intrastate revenues, as well as broadband and broadband voice. The Burns bill would also allow USF support for broadband. Senators Smith, Dorgan and Pryor have also introduced legislation, S.1583, that would broaden the revenue base, address intercarrier compensation and create a \$500 million broadband account. On a related note, both of these bills also address the so-called "phantom traffic" problem – a rising tide of calls that transit our networks without the information necessary for proper intercarrier compensation. These calls create a shortfall that also results in higher rates and increased universal service support.

Although no formal legislation has been introduced to date in the House of Representatives, USTelecom has worked with Rep. Lee Terry of Nebraska and Rep. Rick Boucher of Virginia on legislation expected to be introduced in a matter of days. Their draft bill comports with a number of USTelecom principles including broadening the base of contributors to include intrastate services, cable modem, and VoIP calls. The legislation also contains an important provision to stop phantom traffic by requiring any communications provider that originates traffic to offer sufficient identification. Finally, it allows universal service support of broadband.

As I mentioned earlier, universal service reform must go hand-in-hand with other reforms. Telephony is becoming a form of Internet traffic. Companies like Epic are no longer just telephone companies – we provide our customers voice, video, and data services. Change is sweeping our industry, and no region of the country will be unaffected. In the years

ahead, rural America must have Internet broadband access. Broadband will become essential for communities and individuals to remain integrated into the economic, political, and cultural life of the nation. Thus, USTelecom urges incorporation of broadband into our notion of universal service. In addition, we believe the committee can take steps to accelerate private investment in rural broadband deployment. One important change would be streamlined video franchising.

Let me tell you about another small company in our association, Ben Lomand Telephone, based in McMinnville, Tennessee. Ben Lomand has upgraded its network and has the technical capability to provide video service to 60 percent of its approximately 42,000 customers. It will be able to offer it to 100 percent of its customers within the next 18 months. But Ben Lomand has the misfortune of serving an area covered by 25 different franchising authorities. In some of these video-franchise jurisdictions, Ben Lomand serves as few as 100-200 telephone customers. It is a regulatory nightmare, and after 18 months of franchise applications, the company has won 15 approvals. This cumbersome, archaic franchising process is a significant barrier to competitive entry into the local video market.

The video market is the single best reason for companies to invest in broadband platforms, so existing franchising rules have become a barrier to the deployment of rural broadband.

As Congress moves toward updating our nation's telecom laws, no segment of our country has more to gain and more at stake in this debate than rural America. It is critical that we have policies that encourage investment and head-to-head competition throughout the country ... policies that speed new services, choices and value to our people ... while upholding vital social objectives that remain important to the nation – chief among them, our commitment to ensuring affordable, reliable access to a dial tone for all Americans.

We are encouraged by the work of this committee, whose members recognize the vital role of universal service to ensuring that our citizens – rural, low-income, and otherwise – can reap the full benefits of this new world of communications.

Again, Mr. Chairman, thank you for this opportunity to appear today. We look forward to working with you, the members of the committee, and the staff to develop sound policies that will ensure all Americans have access to affordable and reliable communications service.

###