

**SUMMARY TESTIMONY FOR THE U.S. SENATE SUBCOMMITTEE ON
COMMUNICATIONS, TECHNOLOGY AND THE INTERNET HEARING**

**August 19, 2013
Little Rock, AR**

**Witness: Greg Ashcraft, CFO
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I am the CFO for South Arkansas Telephone Company. South Arkansas Telephone Company is a small incumbent local exchange carrier (ILEC) in south Arkansas with 2,800 telephone customers and 1,100 DSL customers.

I would like to go over a few challenges that confront the Rural Telephone companies today.

The first challenge is the drastic loss of customers. The rural telephone companies are losing customers at a staggering rate. Customers are disconnecting their landlines and switching to mobile. At the end of 1999, SATCO had 4,400 customers. Today we have 2,800. That is a loss of 36% of our customers.

Another challenge the rural telephone companies are facing is the uncertainty of our revenue streams. With the large loss of customers it has affected our local service and toll revenues and the loss of toll means less access minutes and less access revenue. And now in 2013 the FCC has implemented some plans that have put more pressure on our revenue streams.

First they lowered our access rates in the access reform. Then they implemented the USF regression analysis, that will be ran each year to see which companies are affected. There is no benchmark that the companies can gauge this analysis on. It depends on what all the other companies in the country spend, compared to your company. So, this makes it impossible for the companies to forecast their revenues.

Another challenge is keeping up with broadband demand and changes in technology. Broadband has come a long way in 10 years. We started offering dial up – with a speed of 256K and didn't think we would need more than a T-1 to

carry the traffic. Today our lowest speed we offer is 6 meg and we have a 1GB connection to carry the traffic. We feel that the companies in Arkansas have done a very good job at meeting this challenge. But meeting this challenge comes with a very big price tag. In order to get these kinds of speeds to our customers, we have had to make major capital expenditures in our plant by putting in more remotes and more fiber.

Thank you for the opportunity to be a part of this meeting.