



**NMECG Presentation to
Science Technology & Telecommunications Interim Legislative Committee
Santa Fe, NM
July 21, 2011**

Mr. Chairman, members of the committee my name is John Francis, Executive Vice President – Western New Mexico Telephone Company, and I stand before the committee on behalf of the New Mexico Exchange Carrier Group (NMECG). With me today is our lobbyist, Sam Ray. We both thank you for allowing us to speak to you today concerning the Federal Communications Commission (FCC) recently proposed new rules that place broadband network investments and operations of rural telecommunications companies at risk, to the detriment of rural consumers and small businesses in New Mexico. The NMECG is an industry association and has thirteen rural companies as its members. The companies are:

Baca Valley Telephone Company, Des Moines, NM

CenturyLink, Monroe, LA

Dell Telephone Cooperative, Dell City, TX

ENMR/Plateau Clovis, NM

La Jicarita Telephone Cooperative, Mora, NM

Leaco Rural Telephone Cooperative, Hobbs, NM

Penasco Valley Telephone Cooperative, Artesia, NM

Roosevelt County Telephone Cooperative, Portales, NM

Sacred Wind Communications, Albuquerque, NM

Tularosa Basin Telephone Co, Tularosa, NM

Valley Telecom Cooperative, Wilcox, AZ

Western NM Telephone Co, Silver City, NM

Windstream Communications Inc. Little Rock, AR



I will point out that the FCC proposed changes have a greater negative impact on the smaller companies therefore the larger member companies, Windstream and CenturyLink, are not part of our advocacy to petition the FCC to insure that in its decision making process, it takes into account the impact their proposed rules will have on the rural areas of our nation.

New Mexico Exchange Carrier Group (NMECG) companies provide service covering over 66 percent of the state's geography, or nearly 80,300 square miles, and to about 17 percent of New Mexico's wireline telecommunications service consumers. The combination of large areas served and low population density means the average rural New Mexico telephone company serves fewer than 1.8 access lines per square mile.

New Mexico's rural telephone consumers enjoy some of the most advanced telecommunications services available anywhere. NMECG member companies continue to invest millions of dollars improving their networks and replacing facilities that are old and have reached its useful life with new copper and fiber optic cables. This infrastructure, which includes over 5,000 miles of fiber-optic facilities across the state, provides New Mexico's consumers with state-of-the-art digital telephony, including broadband Internet connectivity and many other telecommunications products and services. Over 95 % of the small company customers can have broadband service if they want it.

However, the job is far from complete. Sufficient, predictable, and sustainable support from the FCC Universal Service Fund not only to deploy broadband to the remaining unserved consumers, but also for ongoing network maintenance and upgrades. This is necessary to provide faster connection speeds that can accommodate an ever-growing array of bandwidth-intensive applications and services. It is also needed to maintain



reasonable end-user rates for broadband, which enables consumers to afford broadband. Federal rules provide rural telecom companies and cooperatives with the Universal Service Fund (USF) support, which reimburses these companies a portion of the costs that they incur to provide service in high-cost rural areas. Mandatory contributions to the USF are made by all companies that provide certain interstate communications service. Rural telecom companies and cooperatives rely on the USF to build and maintain broadband-capable networks throughout the country.

The FCC now wants to extend the success of rural telecom companies and cooperatives to areas served by vastly larger telephone companies. While this goal could be accomplished in ways that continue to ensure broadband for all Americans, the FCC proposes instead to reduce support for rural companies, and redistribute those resources to companies that have not made comparable investments in rural America. This approach may reach unserved customers of the larger companies, but would make existing network investments of rural telecoms and cooperatives unsustainable.

Because of the proposed loss of FCC Universal Service Fund support, many rural telecom companies and cooperatives would either need to raise the rates they charge to **unaffordable levels** in order to cover costs, or cut spending on broadband deployment and network maintenance. It may also cause the small carriers to apply for support out of the New Mexico State Universal Service fund which in turn will increase monthly rates, in the form of state USF Surcharges, to all New Mexico Telephone users. Since broadband networks support tele-healthcare, tele-education, public safety, and economic activity, the negative impacts would be felt widely throughout communities served by rural telecom companies and cooperatives.



We need rural customers, state legislators, local and state governmental officials to reach out to their members of Congress and encourage them to tell the FCC the current proposed rule needs to be revised. Rural telecom companies and cooperatives have proposed a workable alternative to the FCC plan that will increase broadband investments in rural areas. The future of access for millions of rural consumers hangs in the balance.

Again Mr. Chair, members of the committee, I thank you for the opportunity to speak to you today concerning this very important issue and will work with the committee in formulating communications to our New Mexico Congressional Leaders, should the committee decide to express your concerns on Economic Development in Rural NM should the FCC plan be implemented as proposed. I stand for questions.

**New Mexico Exchange Carrier Group Company Facts
For Cooperatives and Small Commercial Companies
As of Year End 2010**

New Mexico Jobs	518
New Mexico Annual Payroll	\$23,549,214
Access Lines	31,542
Broadband Capable Lines	90%
Miles of Fiber	5,000
Square Miles Served	80,281
Access Lines per Square Mile	1.8
Total State & Local Taxes Paid	\$4,763,977