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PVT sees some relief in FCC struggle

By ROB LARSON

Daily Press Staff Writer

With the struggle still ongoing between the FCC and small telecommunications companies around the country such as Penasco Valley Telecommunications, PVT's CEO Glenn Lovelace is pleased about some progress he's seen but more cautious in regard to other updates.

"We have some runway to make things happen, but we're not at ease at all," Lovelace said. "I do think the FCC and some in Congress are now listening, and that's encouraging. I'm encouraged that we will get some change, either through the courts or Congress, but I am not at all at ease when I think about the absolutely devastating results that could potentially happen."

Lovelace spoke to the Daily Press a few months ago, in late April, to discuss the FCC reforming the Universal Service Fund (USF) in November of 2011 and how those reforms would negatively impact PVT and other small telecommunications companies in the coming years.

Funded with the help of USF, Lovelace explained the FCC had originally made agreements with PVT and other small, rural telecommunica-

tions carriers to ensure that phone and DSL access was readily available to anyone who wanted it. However, with the Connect America Fund (CAF), the FCC ruled to transfer \$8.8 billion of federal funds needed by the 1,400 rural telephone and internet companies to the mega-carriers (i.e. AT&T, Sprint and Verizon).

Without the federal reimbursements from the FCC, Lovelace said that PVT originally stood to lose \$680,000, or roughly the company's entire annual net margin in 2012. After that, over the next eight years, PVT would lose \$1.4 million on average every year, or twice its current net margin. But things have changed in the past few months.

"The order has actually been reformed four times," Lovelace said. "And in the second order, we were given a bit of a reprieve. Now, PVT will lose about \$400,000 a year for two years as opposed to the big impact that the order would have had."

However, even though PVT "won't be in the red for a couple of years," not all orders worked in the favor of small, rural telecommunications companies.

"Under the current rules, though, the average effect over eight years is actually worse

than the first order," Lovelace said. "Instead of losing \$1.4 million a year, this is a \$2.3-million-a-year effect over an eight-year period. So, it's worse than the first order, but there is a timing reprieve, which is good."

Lovelace credits the reprieve with the PR campaigns started by the Small Company Coalition (SCC). The SCC was founded after PVT and other small telecommunications companies decided to band together to collectively fight the FCC's November ruling.

Aside from creating ads for radio and TV, the SCC also held hearings or "listening sessions" — which, Lovelace said, they were technically called because they weren't for the congressmen but for the congressmen's staffs — which had positive results.

"We held the meetings for the congressmen's staffs so they can get their congressmen up to speed on the issue," Lovelace said. "We were told that having 20 people show up for those is pretty good, and we had about 100."

But, speaking of congressmen, Lovelace said the feedback he's seen from various political representatives hasn't been as receptive as he'd hoped.

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Courtesy Photo

The Honorable Don Young, chairman of the Subcommittee on Indian and Alaska Native Affairs, holds up a tin-can telephone at an oversight hearing in June. With the rest of the members in the Small Company Coalition, PVT sent the phones to every member of Congress with a brief message that "many rural consumers could end up with unaffordable fees or no broadband at all" because of reforms made to the Universal Service Fund.

PVT

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"We go to D.C. frequently, and when we go, we see a lot of head nodding and very little action," Lovelace said. "But I will say that I'm glad that Congressman Steve Pearce (R) has been a very active advocate for us in Congress, and Congressman Ben Lujan (D) has also been receptive. I'm not sure why the others haven't been very receptive to us, but for the time being, two out of five isn't that bad."

After hosting a fundraiser for Heather Wilson, who is in the running to replace retiring U.S. Senator Jeff Bingaman in this November's general election, Lovelace said the former congresswoman has shown a great deal of interest towards PVT's plight.

"We've met with her several times. I've given her over 200 pages of documentation on the issue," Lovelace said. "No other politician has asked for anything like that, and I'm convinced that she went through the majority of it and understands it. Hats off to her."

While the reprieve from the FCC has given PVT some room to breathe, Lovelace said that he is far from feeling relieved.

"I think the industry is breathing a sigh of relief that we're getting a little bit of extra time," Lovelace said. "But the FCC is under much more pressure because of companies like us to explain what they're doing to the House and Senate. A lot of folks in Congress don't like the fact that this is an \$8.8 billion windfall to the big companies at our expense. That just doesn't seem fair to me."