Today, most urban and suburban dwellers have at least one option for broadband access and a majority of them avail themselves of broadband services. But in smaller communities, broadband is both less likely to be deployed and less likely to be adopted. In the session “Broadband Deployment in Rural America,” three competitive providers spoke about the challenges of bringing broadband to rural communities.

VoIP: The Key To Rural Broadband

Darrell Maynard, president of South-East Telephone Company in Kentucky, emphasized that, in rural areas, broadband Internet access was economically viable only as part of a bundle including voice, video or both. A decade ago, voice/data bundles were unprofitable – and therefore broadband was unprofitable – because voice and data had to travel over separate paths and transport costs for both were high. But VoIP has made the economics of broadband more favorable. Today, with softswitches and VoIP, the two services can travel over the same path, cutting transport costs in half and enabling backhaul over long distances.

The regulatory climate presents problems for rural providers, however. Maynard said the 1996 Telecommunications Act had been more successful in metropolitan than in rural areas, and he favored increased regulatory oversight to ensure that competitive providers could be viable in rural areas.

As one of the sponsors of the Connect Kentucky broadband-mapping project, Maynard expressed some enthusiasm about its potential for helping make broadband more available in rural areas. However, he noted that because the mapping data was self-reported by providers, it was not completely accurate. “It’s getting a lot better, though,” he said.

“All of the Disadvantages, None of the Advantages”

Rick Richardson, vice president and general counsel for Momentum Telecom in Alabama, agreed that VoIP was an economic solution for rural broadband providers – it adds an extra income stream for no additional cost – and he also echoed Maynard’s complaints about regulatory hurdles. Momentum began in 1990s by retailing switched telephone services in the Southeast, then lost most of its customers in 2004 when the FCC deregulated switching and switching costs rose by 550 percent. It made a strategic decision to become a retail VoIP provider, then switched gears again to wholesale VoIP provider after Vonage entered the market for retail VoIP. The fact that small providers tend not to have the requisite experience to manage a VoIP service leaves a niche for specialized wholesalers like Momentum.

But despite the fact that VoIP can make rural broadband viable, Richardson said the FCC disadvantaged VoIP providers by mandating E911 even where it was not possible (usually because the ILEC or the answering center refused to deal with the VoIP provider), failing to immunize them against 911-related lawsuits (switched telephone providers are immunized), and requiring them to collect customer information for use in law enforcement. In addition, the states were requiring VoIP providers to pay into the Universal Service Fund. “So they have all of the disadvantages of regulation, with none of the advantages,” Richardson commented.

He concluded, “When the regulatory field is rationalized, then you can extend broadband with VoIP throughout the United States.”

USDA To The Rescue

Sometimes government gives back with one hand what it has taken away with the other. SouthEast Telephone used a grant from USDA Rural Development (at that time, the agency was the Rural Utilities Service) to deploy DSL. And the third panelist, Davy Autrey, a project manager for Camellia Communications, said his company’s FTTH buildout had been made possible with the help of a no-interest loan from Rural Development. Camellia is the CLEC arm of an Alabama ILEC, Hayneville Telephone, that was formed in 2002 at the behest of several underserved communities outside Hayneville’s ILEC service area. Camellia now provides broadband to two thirds of the county.

Autrey said his service area had recently received a major economic devel-
Camellia routes fiber between population centers so as to reach as much of the rural population as possible. Before marketing FTTH or other broadband services, it surveys residents to gauge their interest, invites pre-applications, asks customers to help recruit their neighbors, and provides everything from free Internet classes to catfish dinners in order to stir up enthusiasm for its services.

Autrey identified wireless as yet another hurdle for rural broadband in general. The fact that wireless providers are marketing broadband services in small towns but not in their outlying areas, he said, leaves the outlying areas with even less chance of getting broadband.

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