

**Comments of
Kurt David, Chief Operating Officer
Eagle Communications, Inc.**

**Before the Senate Utilities Committee
Regarding FCC's Order on Reform of Universal Service and Intercarrier Compensation
January 25, 2012**

Chairman Apple and Senate Utilities Committee Members:

My name is Kurt David and I am the Chief Operating Officer of Eagle Communications, Inc. Eagle Communications is an employee-owned provider of television services, Broadband Internet and phone services in communities across central and northwestern Kansas.

I am here today to discuss the investments in Broadband and communications services that our company and its near 300 employee-owners have invested via private capital investment, and also respond to information being discussed about the supposed "devastating impacts" of USF reform by the FCC and potential Kansas USF reform that will result in the state of Kansas.

Eagle Communications Investments in Broadband and Communications Services

Eagle Communications, since its creation in 1949, has been associated with investment and expansion in Kansas. In the last 6-years alone, the company has invested over \$20 million of private risk capital to deliver communication services to 29 communities in Kansas and expand services via fixed wireless to rural, unincorporated areas of the state. When we discuss private-risk capital I cannot over-emphasize the fact that these are private dollars from an employee-owned company. Eagle's services are state-of-the-art and scalable for future technologies. Eagle Communications customers have access to Broadband Internet speeds as high as 100 mbps. Fiber optic connectivity is also available with numerous business and anchor institutions connected across the Eagle "footprint".

Eagle Communications has made the multi-million dollar investments without consideration of USF funds available at the Federal or State level, nor receipt of any other government subsidies/programs. Eagle Communications, via our telephony partner Big River Telephone, does benefit from Federal Universal Service Funds. That funding is a relatively small amount of \$130,000 in calendar year 2011 – when compared to some of our competitors who have received in excess of \$20 million during the same period.

Eagle Communications understands its important role, and obligations, in the rural communities of Kansas and is proud to state that: neither the "capping" of USF dollars received by Eagle Communications via the FCC's reform order, nor the future reduction in these amounts will impact Eagle Communication's investments nor our ability to repay debt obligations associated with the investments. Likewise, the inability to access this funding in the future will not reduce our company's desire to invest going forward.

The Need for Broadband Service

Let us be clear that Eagle Communications supports the need to bring Broadband service to unserved areas. Broadband service supports economic development and growth, provides for quality education and health care, and is an important component of emergency services. Government/Public funds to support Broadband in unserved areas is necessary.

The Universal Service Fund, however, has grown in scope since its creation in 1997 to the point that funds are allocated to communities where service has existed for numerous years, and in communities where multiple competing providers draw funds (public dollars) from the system. Those same competitors that have received as much as \$20 million per year from the Federal Universal Service Fund also draw millions of dollars per year in subsidies from the Kansas Universal Service Fund.

When funding is provided to communities where multiple providers offer service, truly unserved areas and the consumers who reside in those unserved areas are hurt.

The FCC recognized the need to change this Universal Service Fund system to the benefit of both unserved areas as well as the taxpayers.

Private Capital Investment Should Be Promoted

Eagle Communications is not afraid to compete for services in our markets. We believe competition is good for the market and more so, the consumer. Competition occurs in our markets every day and we welcome a fair fight.

Today Eagle Communications competes in multiple communities where another provider benefits from Universal Service Fund. Eagle Communications has competed well and continues to offer quality services in these same communities. Having to compete against a government funded – Universal Service Fund recipient competitor is difficult. Promotions from these funded competitors often tout multiple months of Free Service or provide for televisions, computers and other consumer electronic device giveaways, just to take their service. Although challenging, Eagle continues to add subscribers every day in these same communities.

It should be pointed out that the current system for Universal Service Funding is by no means easy for a competitive provider like Eagle to break into. The \$130,000 in funding I referenced previously was only received after an arduous, expensive 16 month legal fight against our competitors who sought to block our access to those funds at the KCC. Issues as simple as gaining access to phone numbers for our new customers must be arbitrated through the KCC as a result of practices incumbents have utilized to delay competitive entry into “their” areas.

Universal Service Fund Reform

Eagle Communications applauds the FCC for their recognition of the need for reform of the Universal Service Fund. Unfortunately, we do not believe the reforms have gone far enough and that government/taxpayer dollars will continue to go to areas where service already exists and multiple, competitive providers offer service. Eagle Communication's access to USF dollars are being capped under the reformed system and will in time be reduced/eliminated. Our company is supportive of those changes so far as funds truly are reallocated to unserved areas. However, that is not totally the case. The reforms being implemented by the FCC will continue to allow incumbent exchange carriers access to Universal Service funds in specific communities where Eagle and other competition exists.

We believe that funding where services already exist and where competitive providers are offering service is wrong, and ultimately detrimental to the consumer. When funding is provided to one entity and not another in that same community, the government creates "winners" and "losers". Those taxpayer dollars could otherwise have been for the benefit of unserved consumers.

If the Kansas Universal Service Fund goes unchanged, private capital investment is what is at risk, at the expense of unserved areas of the state, creating a troublesome scenario for a small, employee-owned company such as Eagle Communications and almost certainly hurting Kansas consumers by limiting choice.

I appreciate the opportunity to visit with your Committee Mr. Chairman and share with you the true state of competition in one part of the state, and what may lay ahead as a result of the proposed changes to the current USF system. I am available for questions at your convenience.
