

Mid-Rivers
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February 25, 2008

Meredith Attwell Baker
Acting Asst. Secretary for Communications & Information
National Telecommunications & Information Administration
U.S. Department of Commerce / NTIA
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Ms. Baker:

RE: RECOGNITION OF OTHER FACTORS THAT MAY BE INHIBITING RURAL BROADBAND PENETRATION

As you well know, insuring that all Americans have affordable access to high-speed Internet service (broadband) has been a key priority of the current Presidential Administration. The strong and varied reactions to your Agency's recent claims of the achievement of 99% broadband penetration at the beginning of 2007 clearly highlights the level of interest in – and disagreement on – this issue in our country. The Federal Communications Commission (FCC) has also placed a high priority on increasing broadband penetration, and recently released a Notice of Proposed Rulemaking (NPRM) on a recommendation by the Federal-State Joint Board on Universal Service which includes the creation of a Broadband Universal Service Fund as part of a three-tiered approach to support telecommunications services in rural areas.

Mid-Rivers Communications, a broadband Internet services provider, as well as a provider of local and long distance telephone, cable television, and wireless telephone services, to rural Eastern and Central Montana, would like to present to you an entirely different view of the reasons behind America's perceived problem of lagging broadband penetration. **We assert that the nation's current efforts to increase broadband penetration in rural areas may be somewhat misguided, and are overly focused on issues that do not address the true problem.**

The area Mid-Rivers serves is inhabited by an aging population, perhaps one of the oldest per capita in the nation. The median age across the primary 16 counties we serve is approximately 42 years, compared to the U.S. median age of 35. On average, over 19% of this area's residents are over the age of 65, compared to 12% of the U.S. population. This rural area also ranks very low nationwide in terms of per capita income, averaging only about \$25,000 based on 2005 data. The U.S. per capita income for this same time period was nearly \$10,000 higher. What do these figures have to do with broadband penetration in rural America? The answer: everything. A 2007 report from the Phoenix Center for Advanced Legal and Economic Public Policy Studies concluded that "household education and income levels have the closest correlation to broadband in the home." Age and other demographic factors, namely income and education levels, are directly correlated to whether or not a household wishes to purchase or has the ability to purchase a home computer. **Without the computer, the availability of Broadband Internet access is academic.**

Mid-Rivers has been offering high-speed Internet access to 100% of our 30,000-square-mile service area via our own wireline and wireless facilities combined with WildBlue Satellite Internet since late 2004. Our monthly rates for residential high-speed Internet are well in line with urban rates, and we do not currently charge equipment or installation fees. The minimum speeds we offer in all areas meet or exceed the FCC's current definition of broadband, and today we are able to offer speeds of up to 10 Mbps to a majority of our customers. We also provide free basic and advanced Internet training sessions around our service area regularly. Broadband penetration among our Internet subscribers is extremely high for a rural company, at approximately 70%, and is increasing daily. However, broadband penetration among total telephone subscribers lags far behind, at barely more than 40%.

Realizing that this figure equates to more than half of our landline telephone customers either subscribing to dial-up Internet only or to no Internet at all, Mid-Rivers made the decision in mid-2007 to attempt to learn more from our members about the factors keeping them from subscribing to broadband service. We conducted a survey of 3,000 randomly selected telephone, Internet and cable television customers via bill inserts and our website during June and July of 2007. The results of this survey, which can be viewed in detail on the following pages, strongly supported our initial assumptions that demographic factors – primarily age, income, and education – are preventing our customers from taking the very necessary yet rarely discussed initial step toward a broadband connection: the purchase of a computer. **Nearly 30% of survey respondents stated that they do not own a computer, and nearly ALL of those stated that they had NO plans to purchase a computer.** The top two reasons for not owning a computer were a lack of knowledge on how to operate one and the fact that a computer was too expensive.

While recent statistics from BusinessWeek boast that 79% of homes with a PC have broadband service, there is no mention of how many of our homes are lacking the vital PC component all together. A major Congressional focus over the last several months has been the push to obtain more data regarding the rollout of broadband service in the U.S., yet all legislation on the subject focuses on where the broadband service itself is available rather than on the economic or demographic reasons why consumers with broadband access may not be able to subscribe to the service. America's policies toward broadband deployment, in steps taken by the NTIA, the FCC, and Congress to date, have seemingly overlooked the issue of customer equipment as a barrier to broadband access. Policymakers must begin considering that the primary reason rural households are perceived to lag behind those in urban and suburban areas in their use of high-speed Internet service is not due to limited availability or relative price of a broadband connection, but instead to the fact that many of these households do not possess the desire and/or the financial means to take the first step of purchasing the equipment to use on a broadband connection.

The bottom line is that **broadband services are now available in most rural areas, and more often than not are available at rates and speeds very comparable to most urban and suburban areas.** At least within our own service area, and the regions served by many other rural cooperatives, Mid-Rivers is in agreement with NTIA's declaration that America has achieved its goal of universal, affordable broadband. Cooperative providers such as Mid-Rivers serve the nation's most rural areas and are owned by our customers, so bringing those customers affordable broadband via whatever technological means possible is a goal on which customers and management can easily agree. We contend, and believe that the results of our survey and other data from around the U.S. strongly support our contention, that the nation's major stumbling block to ubiquitous broadband penetration is not the availability or price of the service itself, but the **consumer's ability and willingness to first purchase the equipment necessary to benefit from a broadband connection.**

Universal Service funding for the basic network infrastructure that makes all telecommunications possible is without a doubt this country's most important tool for insuring broadband access in rural areas, and should be continued and strengthened. Mid-Rivers relies heavily on this funding source to bring today's and tomorrow's telecommunications services to our members. While we strongly agree that nationwide broadband penetration equal to other industrialized nations is a very worthwhile goal, **we are concerned that currently proposed policies that would attempt to promote broadband deployment by technologically separating Universal Service into individual pools of funding is not the answer.** We believe these policies would serve only to further threaten the stability of the present Universal Service fund and halt the build-out of the underlying telecommunications infrastructure.

As an alternative solution, Mid-Rivers would like to propose that Congress, the FCC, NTIA, other relevant state and Federal agencies examine the use of the current Lifeline/Link-Up Program, or the funding of a coupon program similar to NTIA's current digital television converter box effort, to address the real problem at the root of America's perceived broadband penetration dilemma. The Schools and Libraries branch of the Universal Service Fund recognized in 1996 that a lack of customer equipment required for connectivity was a contributing factor to the digital divide between rural and urban schools. Demand for dollars from the Internal Connections portion of the Schools and Libraries Fund, which offers subsidies for the purchase of equipment and wiring, continues to greatly outpace supply nearly 12 years after that program's inception. We contend that the same type of programs that have worked to bring broadband to rural and low income schools, libraries and hospitals would also be effective in the American rural and low-income household. The Phoenix Center referenced earlier has concluded based on the findings of its studies that "programs focused upon low-income communities with school-age children may provide the largest 'bang for the buck' in terms of increasing broadband penetration." **Help the rural and the low-income American consumer to purchase a computer, and you will open the door to broadband access in their homes.**

We hope your agency finds the attached information enlightening and that you will examine our alternative suggestions for addressing broadband penetration in America. Should you wish to discuss this issue further, please contact me at (406) 485-3301 or gerrya@midrivers.com.


GERRY ANDERSON
General Manager

Enclosure

CC: Federal Communications Commission
Montana Public Service Commission
Montana Independent Telecommunications Systems (MITS)
National Telecommunications Cooperative Association (NTCA)
Organization for the Promotion and Advancement of Small Telephone Companies (OPASTCO)
U.S. Senator Max Baucus
U.S. Senator Jon Tester
U.S. Representative Denny Rehberg

2007 Computer & Internet Survey

Summary of Results

Mid-Rivers Telephone Cooperative, Inc., d.b.a

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Computer Survey Results Summary

- Survey conducted June 28, 2007 – July 30, 2007
- Surveys mailed with customer bills; responses returned with payment for monthly bill via mail or office walk-in or online via web e-mail form
- Random survey of all Mid-Rivers customers billed, excluding cellular-only bills
- Survey Statistics:
 - Sample Size: 3,000
 - Population: 28,000
 - Response Rate: 28% (844 Surveys)

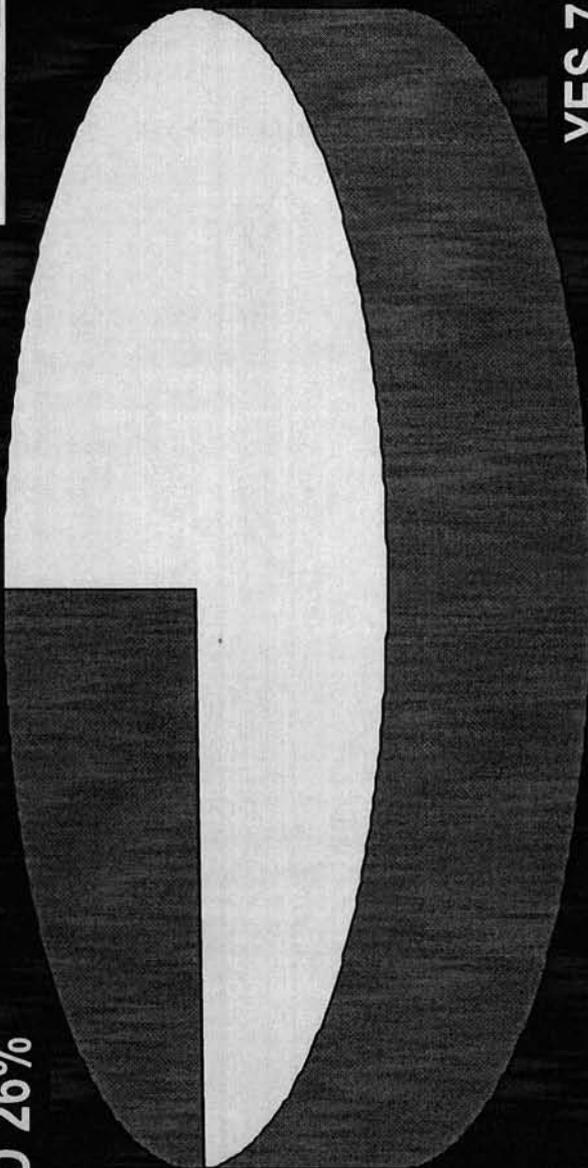
Confidence Interval of (+/-) 2%
at 99% Confidence Level

Do you currently own a computer?

	#	%
YES	626	74%
NO	216	26%
No Response	1	0%

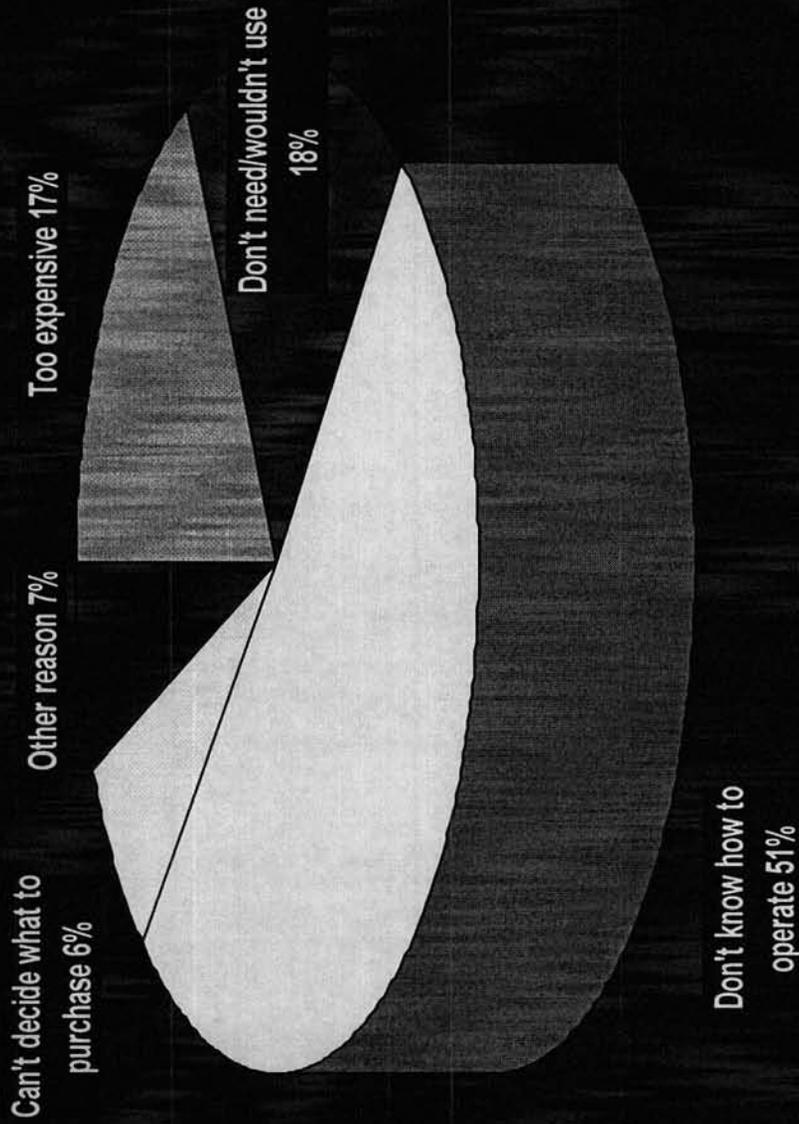
No Response
0%

NO 26%



YES 74%

If you do not own a computer, can you tell us why?



Don't know how to operate 51%

	#	%
Too Expensive	54	17%
Don't Need / Wouldn't Use	56	18%
Don't Know How to Operate	159	51%
Can't Decide What to Purchase	20	6%
Other Reason	21	7%



Other Reasons for Not Owning a Computer

- Don't know how to hook it up
- Don't want one / not interested
- Too old
- No time to use one
- Afraid of / don't trust
- Don't have room for one

"My husband is too old and stubborn to understand the benefits. He thinks there is a lot of bad stuff out there."

"My wife is 85 and I'm 89."

"Would use a little, but we get by without."

If you do not currently own a computer, do you plan on purchasing one...

	#	%
Within the next six months	4	2%
Within the next year	10	5%
Within the next two years	14	7%
No plans to purchase	172	86%

Within the next year,

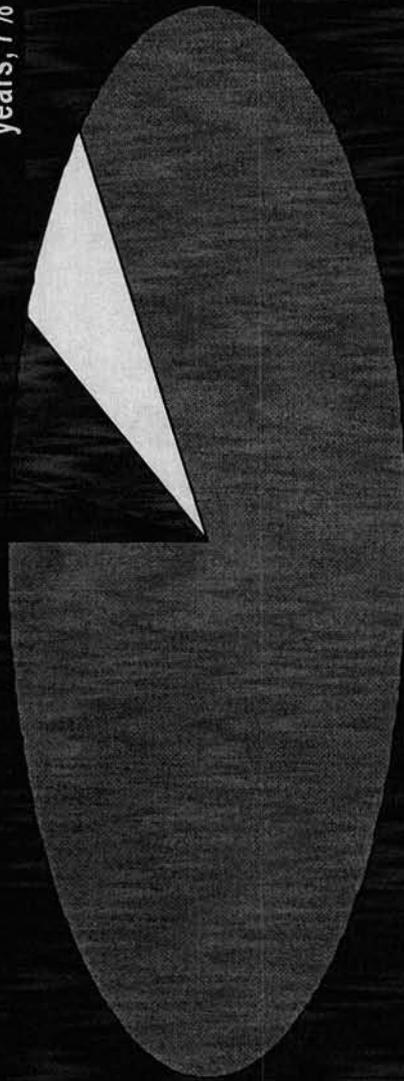
5%

Within the next six months, 2%

2%

Within the next two

years, 7%



No plans to purchase, 86%

If you do own a computer, do you currently subscribe to Internet service?

	#	%
YES	558	88%
NO	73	12%

NO 12%

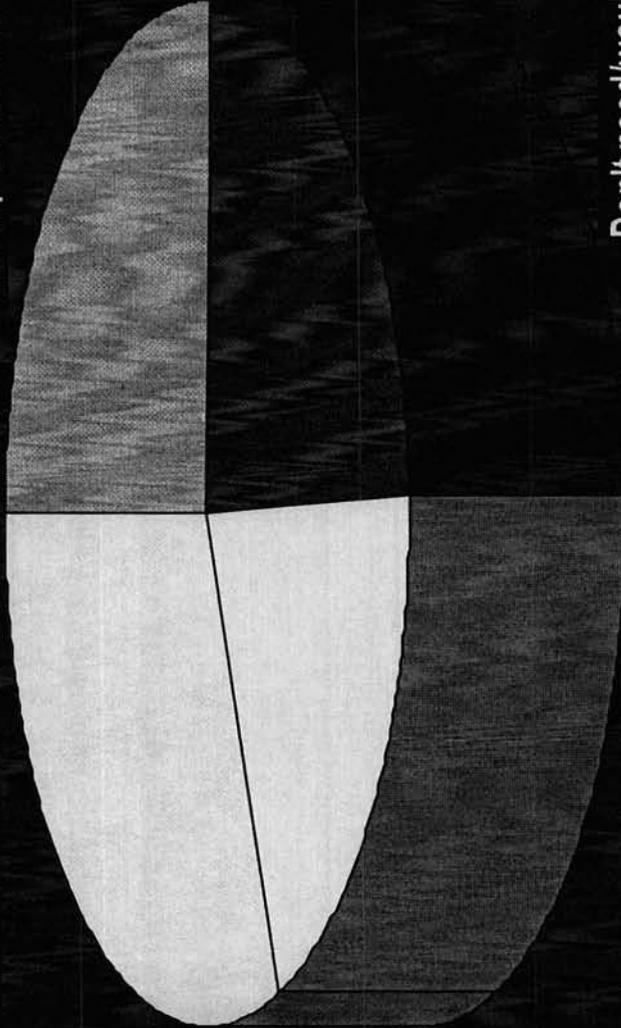


YES 88%

If you do not subscribe to Internet services, can you tell us why?

Too expensive 25%

Other reason 31%



Don't need/wouldn't use 24%

Don't know how to use 20%

	#	%
Too Expensive	27	25%
Don't Need / Wouldn't Use	26	24%
Don't Know How to Use	21	20%
Other Reason	33	31%

Other Reasons for Not Subscribing to Internet Services

- Afraid of Identity Theft & Viruses / don't trust
- Computer is too old
- Dial-up is too slow
- I have it at work
- Too old

"I will check on your prices,
but I am on low income."

"Just too old!"

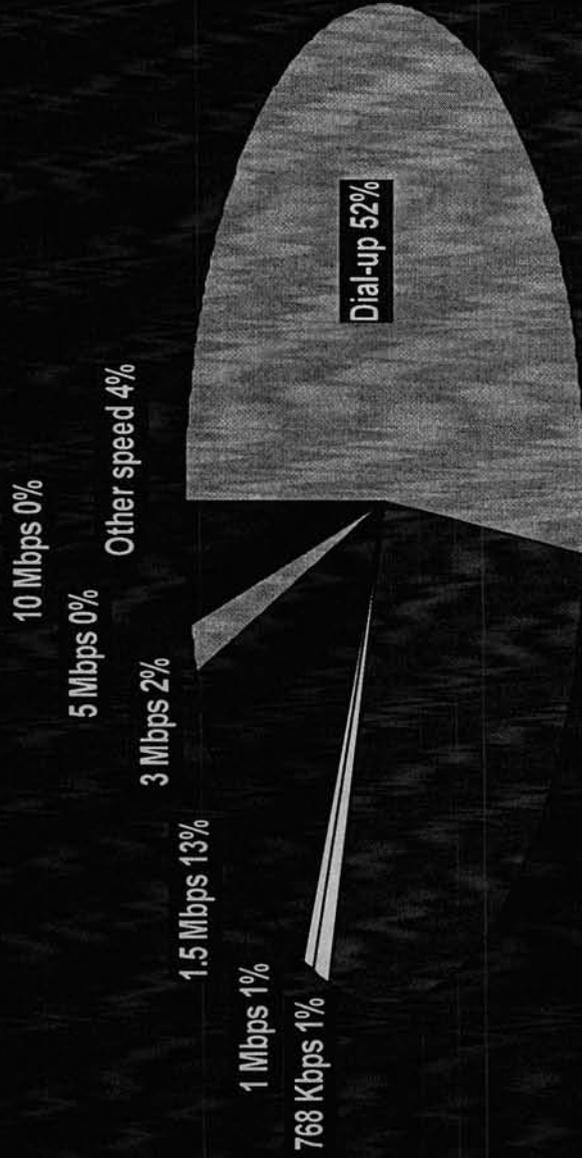
"Too complicated to block out trash."

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If you do subscribe to Internet service, what speed do you subscribe to?



	#	%
Dial-Up	285	52%
256 Kbps	155	28%
768 Kbps	7	1%
1 Mbps	4	1%
1.5 Mbps	71	13%
3 Mbps	9	2%
5 Mbps	0	0%
10 Mbps	1	0%
Other speed	21	4%

256 Kbps 28%



Do you live within the city limits?

No Response 0%

NO 42%

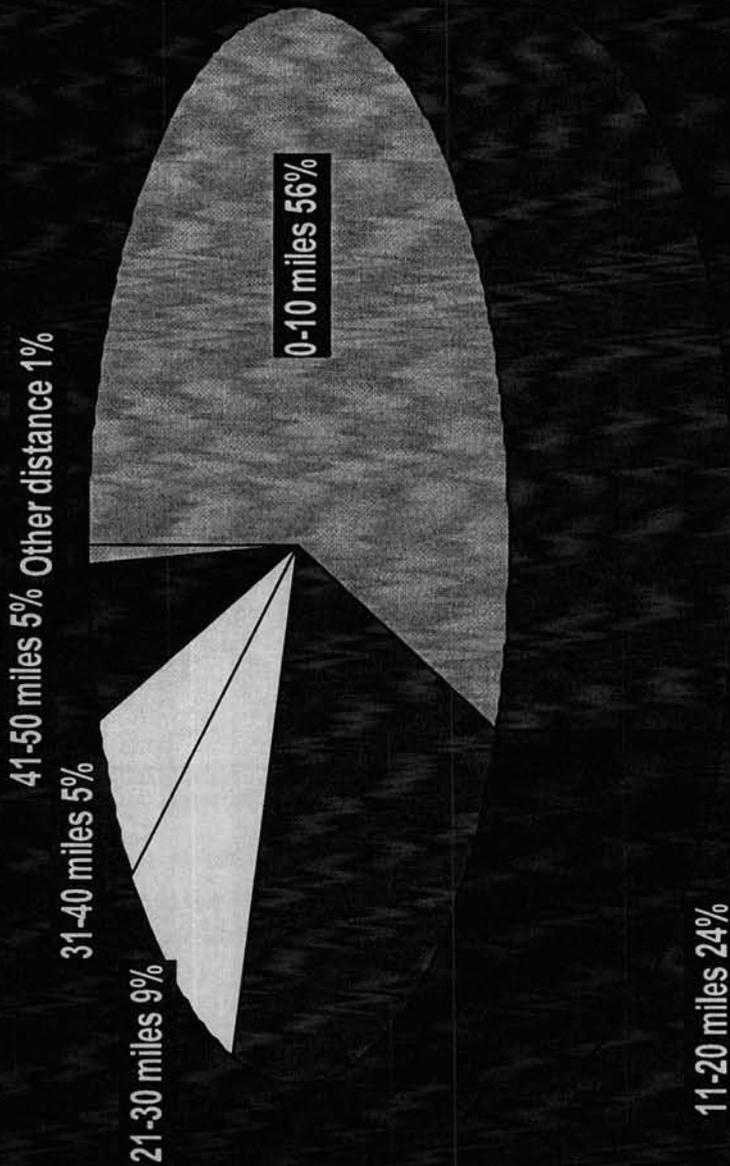
YES 58%

	#	%
YES	489	58%
NO	351	42%
No Response	4	0%



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If you do not live within the city limits, how far do you live from the nearest town?



11-20 miles 24%

21-30 miles 9%

31-40 miles 5%

41-50 miles 5% Other distance 1%

0-10 miles 56%