

TelesState

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News From the Illinois Telecommunications Association
Representing The Telecommunications Industry in Illinois

Low-Income Telephone Assistance Program Holding Steady

Since its inception in the mid 1990s, the Universal Telephone Assistance Corporation (UTAC) has struggled to reach the Illinois households that are without phone service due to lack of financial resources. UTAC, a not-for-profit corporation representing Illinois telecommunications carriers and low-income advocacy groups, is responsible for administering three programs designed to help low-income individuals obtain and maintain basic local phone service.

After a slow start initially in the 1990s, the number of individuals receiving installation waivers through UTAC's programs has increased to the 40,000 to 50,000 range annually, a level that has been fairly steady since 2002. Building on that base, the Governor's and Lieutenant Governor's offices have recently shown an interest in working with UTAC and its members to ease and enhance enrollment options for qualified individuals.

And there are some successes as a result. The monthly federally funded Lifeline program has seen increased participation in Illinois since its inception. In 1998, 35,000 individuals took advantage of the monthly credit against the cost of basic local phone service. That number has increased every year and in 2005 totaled 107,000.

Unfortunately, while enrollment in the monthly program has increased, the number of Illinois consumers making voluntary contributions in support of the programs has declined steadily.

"Contributions have declined each year over the past three years, and show no sign, based on early 2007 numbers, of a rebound," said Allen Cherry, president of the UTAC Board of Directors. "We have tried numerous methods to reach potential contributors and have had little success. Other financial pressures may be impacting the interest in giving to support these programs."

Total annual contributions have declined from \$834,937 in 2004 to \$686,406 in 2006. Numbers for the first month of 2007, as compared with first month of 2006, also show a decline from \$56,700 in 2006 to \$51,600 in 2007.

Not surprisingly, the number of contributors, which peaked in 2000 with 86,000, have also declined over the past three years to 69,165 in 2005.

"The telecommunications industry is always looking for ways to increase funding for the low-income programs and to reach qualified individuals who are not currently participating," said Doug Dougherty, president of the Illinois Telecommunications Association. "We are working with policymakers and advocates for the low-income population to come up with new ways of building on UTAC's current successes."

Community Leadership *Each issue of TeleState highlights how Illinois Telecommunications Association member companies and individual members invest in and give back to their communities. This issue highlights the innovative, customer-focused vision of Consolidated Communications, Inc.*

Consolidated Communications Recognized for IP Innovation

During the TelecomNEXT industry event in Las Vegas in April 2006, Consolidated won the title "IP Innovator of the Year" for its steady progress in building a world class Internet Protocol (IP) network. This award recognized Consolidated Communications for its efforts to provide customers the latest technologies and services more than 100 years after its predecessor company began serving Illinois customers as a traditional telephone company.

Joe Dively, Consolidated's Senior Vice President and President of Illinois Telephone Operations, accepted the award from Cisco Systems, which chose Consolidated from among hundreds of other telephone and Internet companies across the nation.

"The investment in our core IP network allows us to provide high quality voice and broadband services as well as many new applications and content our customers want, such as our Digital TV product and high-speed Internet," Dively said. "It also positions us for future VoIP offerings and other cutting edge IP-based services."

The IP network build-out positions Consolidated to deliver an all-IP product set to the end of the network, closer to the customer, allowing for virtually limitless possibilities in next generation service delivery. For Consolidated's management, the IP network offers the company *and* its customers flexibility and maximizes the potential to offer new, cutting edge products.

"Innovative providers such as Consolidated Communications are driving the next wave of advanced services based on a willingness and ability to map network and service development to their customers' changing needs," said Vic Northrup, area vice president at Cisco.

One of the first innovative services to be delivered over the Internet to Consolidated's customers was their Digital TV product, first introduced in Illinois in 2005. The service offers the customer many advantages over other home television technologies. On an IP network, only the content selected for viewing by the customer is transmitted over the network. This helps increase the viewing options. Because the technology is interactive, customers can also choose to customize a program guide or set parental controls.

"With our Digital TV service we are able to offer quality digital programming at a price competitive with cable and satellite, along with more local and regional programming

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President's Letter

This spring, the challenges facing the telecommunications industry are varied and multi-faceted. Within the industry, companies are sorting through the opportunities and challenges presented by a competitive marketplace and the ever-changing array of products and services that new technologies make possible.

The ability of the private sector to remain healthy and vibrant so that it can respond to consumer demands and interest is dependent on both the internal management of the private companies and on their ability to forecast and then work within the rubric of governmental policies. One of the biggest challenges currently to the health of the telecommunications industry comes from the outdated nature of the state telecommunications law, which maintains significant regulatory oversight of an ever more competitive industry. As the need grows for the updating of governmental policies that will allow the marketplace to work on behalf of the millions of consumers here, any reticence on the part of state policymakers to act becomes increasingly hurtful to the industry and the consumers we serve.

To date, the industry has not effectively communicated to a majority of state policymakers the urgency of the need to remove government regulatory barriers in order that telecommunications companies can compete in the highly competitive and ever-changing marketplace. This spring, the General Assembly is considering a rewrite of the state's existing telecommunications regulatory law, which is scheduled to expire June 30th. The industry's proposal for updating that law to reflect the current marketplace is under discussion. A proposal by AT&T and others to open access to the video services market on a statewide basis is also being reviewed and may yet move forward. Managing an association of companies that bring different perspectives based on differences of size, location, competitive environment and regulatory guidelines is a challenging role.

As president of the Illinois Telecommunications Association, I continue to believe that working together to achieve consensus on key issues affecting the industry is integral to our overall success. We must work together to do a better job of communicating with policymakers about the impact they have on the health of the telecommunications industry and the state's economy as a whole.

Doug Dougherty

Register Now for ITA Convention

The members of the ITA will meet in the Ozarks on June 10th - 12th for the 102nd annual association convention. The convention kicks off with Sunday afternoon registration followed by a two-hour boat cruise on the Lake and an outdoor cookout.

On Monday, convention goers will hear top-notch presentations about current public policy issues, their impact on the industry, and the future of the telecommunications industry.

"Communications technology is changing rapidly and we as an industry must be able to respond to the demands of the marketplace," said H.R. Gentsch, chairman of the ITA convention committee. "Public policy can either facilitate a healthy and robust communications industry or it can thwart our attempts to adjust to the changing technologies and customer demands. We all need to look toward the future to help direct the development of productive, helpful public policy for the greater good of the citizens of Illinois."

The suppliers' exhibition will take place Monday evening. A number of networking and social opportunities, including golf, shooting and fishing, are planned for Tuesday, followed by the closing dinner.

In the News

Canada deregulates. In early April, the Canadian government announced that it will largely deregulate the country's telecommunications market. Specifically, in local markets where consumers are served by at least three operators with their own networks – including telephone companies, cable companies and cell phone providers – telecommunications will be deregulated.

Century Telephone is purchasing the Gallatin River telephone properties in Illinois, with a spring 2007 closing date. TeleState will profile the company in the next issue.

Tom Walsh of Illinois Valley Cellular has received the Rural Cellular Association (RCA) 2006 Outstanding Achievement Award in recognition of his efforts to enhance the industry's voice in legislative and regulatory proceedings. Congratulations to Tom!

Consolidated Communications, continued

choices," Dively said. "Our Digital TV subscribers are able to watch television, use the Internet and use the telephone simultaneously, with one point of contact and one bill for all services."

This television service features more than 200 channels and is offered in much of Consolidated's service territory. This advanced service has appealed to many customers, as Consolidated achieved 26% market share in its initial three markets in just over two years. Consolidated Communications is a family of companies providing advanced voice, data and video services to both business and residential customers in Illinois and Texas.

States Trend Toward Relaxed Regulation

Illinois Can't be Left Behind

A report by the National Regulatory Research Institute (NRRI) indicates that states are continuing to move toward a flexible regulatory environment because of increased competition in the telecommunications market. The NRRI was established by the National Association of Regulatory Utility Commissioners to develop information on issues of importance to state utility regulators.

The NRRI report concludes that over the past two years, nine states have passed laws deregulating rates for most retail phone services. In California, the Public Utilities Commission adopted a proposal last summer that essentially deregulated all telecommunications services, including new products, bundles, promotions, and contracts for residential and business customers. This decision allows carriers much greater flexibility in pricing voice services in the future.

Right next door in Indiana, the legislature approved a major rewrite of the telecommunications law that ends state control over basic retail telecommunications rates beginning in 2009. After the rate regulation ends, carriers are required to offer customers a flat monthly rate for unlimited local calling.

"Clearly, the trend across the nation is toward deregulating rates for telecommunications services to allow companies, which are competing with each other far more than ever before, more flexibility to respond to market pressures and opportunities," said Doug Dougherty, president of the Illinois Telecommunications Association. "Illinois' regulation of telecommunications companies must be relaxed if the industry is to be able to meet the demands and expectations of Illinois customers."

TeleState

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