



# CAPITAL CONNECTIONS

A Q U A R T E R L Y N E W S B U L L E T I N

## FRED EVOLVES WITH CHANGING TECHNOLOGY, RURAL NEEDS

► Most rural telcos have a mission beyond providing service; they also recognize the importance of supporting and developing a better quality of life in rural communities. It's out of this basic tenet that organizations like OPASTCO's Foundation for Rural Education and Development (FRED) were formed.

And, it's that spirit that attracted current FRED President Andy Blum to Blue Earth Valley Communications in Minnesota nine years ago. Coming from a background as a telecommunications consultant and analyst, Blum was introduced to rural telephony in the '70s when he was the State of Minnesota's 911 project manager.

"I had many dealings with local independent telephone companies and came to admire them and their way of doing business. When the opportunity for me to join Blue Earth Valley came along, I was very excited about it," says Blum, who's now the general manager of Bevcomm, a one-year-old subsidiary of Blue Earth Valley Communications.

Blum got involved with FRED when Blue Earth Valley won a rural development achievement award in 1996.

Five years later, FRED is still handing out rural development achievement awards, although Blum says the focus is shifting. "This award often goes to companies that have already done a lot in their communities to promote technology or other upgrades. We'd like to reach down into smaller companies that serve hundreds, not thousands, of customers and help those communities cross the digital divide."

Another award that will see changes in the coming year is FRED's Rural Interactive Television Award. Sponsored by RTFC, in 1999 checks of \$20,000 each were awarded to the two interactive recipients. "I think we'll see more emphasis on Internet technology or other telecommunications tools as the focus of this award shifts to keep pace with evolving technology," Blum says.

FRED helps youth of rural communities grow and enhance their lives by offering scholarships through member telcos. FRED reached a major milestone recently when it fulfilled its goal of raising \$1 million in commitments to create a scholarship endowment fund. This achievement will allow the foundation to award about \$65,000 in scholarship money annually.

"Now that the scholarship fund-raising drive is successfully completed, we're looking at a new annual giving campaign aimed at raising smaller amounts. It will involve telcos

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*Andy Blum*

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## NTCA HELPS MEMBERS MEET THE 'DIGITAL CHALLENGE'

► Some people call it a divide. Shirley Bloomfield calls it a challenge.



Shirley Bloomfield

One of the toughest battles NTCA has faced on Capitol Hill in the last year is educating lawmakers that there's not so much a "Digital Divide" in rural America as there is a "Digital Challenge."

"For the most part, small telephone companies have stepped up and are providing the digital services and technology that their urban counterparts have available. But, this access is expensive and someone has to pay for it," says Bloomfield, NTCA's vice president of Government Affairs and Association Services, who has taken this message to lawmakers on behalf of the NTCA membership as she urges them to lift the cap on universal service funds (USF).

Lifting the USF cap, she believes, will help even more telcos level the playing field and step up to the "Digital Challenge." But organizations like NTCA can't do it alone, she says. Small telephone companies have to help.

### Sharing the Success Stories

"Our members are doing some very innovative things for their communities when it comes to technology, and they need to do a better job of spreading the word and telling people about it," Bloomfield says. Although it is most likely too late to enact change this legislative session – which ended in late October – spreading the word before the 107th Congress begins is vital.

Bloomfield urges small telcos to contact their legislative representatives and give them real-life examples how lifting the USF cap will help their communities. "You need to be specific. Tell your legislator, 'If we didn't have the USF cap imposed on our company, I could build a high-speed access line out to this school and serve the needs of 350 children and teachers.' When you have something that strikes home and brings it down to that level, you can't be ignored."

With the November elections right around the corner, winning the Digital Challenge may be put on hold for another year as new faces arrive on Capitol Hill and a new administration makes appointments to the FCC and

RUS. But, until Congress is back in session, Bernardin Arnason, in his fairly new role as NTCA's vice president of Business and Technology, is helping members meet the challenge year-round.

### Bringing New Tools to Members



Bernardin Arnason

Whether it's monthly Web-casting about such topics as network security and broadband deployment or intensive business briefing seminars held around the country on subjects such as next-generation switching, Arnason is bringing NTCA

members a variety of business development tools to help them win the Digital Challenge.

"Our members are facing tough choices out there, and it's never been so important to plan correctly. You can't wait or stand on the sidelines, and yet, at the same time, you're facing so many new options.

It can send you into 'analysis paralysis,'" says Arnason, whose technology group within NTCA has tripled – from two to six staff members – in the last two years.

"We really want to be a resource for the membership in helping them know what's out there and making choices," he says. That priority has led Arnason to create a trio of goals to guide his group in helping members win the Digital Challenge. Their objectives:

- Research, evaluate and expose major business opportunities and strategies to members.
- Facilitate strategic alliances and consortiums to strengthen member business opportunities. "We're not trying to find the do-all, be-all solution for all members, but we're putting choices in front of them that can help their businesses," Arnason says.
- Develop and implement interactive and educational forums where members can obtain and share information regarding business and technical issues, opportunities and challenges.

Whether it's on Capitol Hill or in the Black Hills, NTCA is educating members and lawmakers about ways to bridge the divide and step up to the challenges of changing technology. ■

*"Our members are doing some very innovative things for their communities when it comes to technology, and they need to do a better job of spreading the word and telling people about it."*

## INSIDE THE ECONOMY

### INFLATION FEARS SUBSIDE – FOR NOW

► The U.S. Treasury yield curve has shifted dramatically recently – narrowing the gap between the yield on two- and 30-year bonds from 48 basis points to 5 basis points. Keep in mind the Treasury curve is inverted, which means the two-year note has a higher yield than the 30-year bond. In a “normal” interest rate environment, the yield curve is typically the reverse of where it has been most of the year – with the 30-year bond providing the greatest return. The shift towards a “normal” Treasury yield curve has caused the borrowing yield curve to shift as well – making short-term fixed interest rates more attractive than longer-term fixed rates.

The trend toward a positively sloped yield curve should continue because Wall Street is expecting the Fed to remain on the sidelines for the rest of year. Wall Street’s fears have subsided because inflation remains low and the economy appears to be growing at what the Fed deems a “sustainable” pace.

The Federal Reserve Open Market Committee (FOMC) left short-term interest rates unchanged for its third consecutive meeting on October 3. The Fed did maintain its “tightening” bias, meaning they are still concerned about a possible pick-up in inflation. The main reason the Fed kept their “inflation-risk” bias is because of the recent run-up in oil prices.

The Fed should remain on hold for the rest of the year and into the early part of next year. In fact, some economists believe the next move by the Fed will be to lower short-term interest rates by a quarter of a point, but not until the early part of next year.

The economy has shown signs of slowing, but should still grow at a very solid pace. Furthermore, the dollar should remain strong, giving Americans greater purchasing power abroad. The strong dollar, however, will keep the trade deficit at or near record levels.

European telecoms have or will be extremely active in the bond market, with estimates of total debt issuance to be \$25-\$30 billion. The bonds are primarily being used by the telcos to fund their recent purchases of wireless licenses in Europe.

At press time, the Fed Funds rate stands at 6.50 percent, and the bank prime rate stands at 9.50 percent. ■

### PROFILE: PAUL VIOLETTE



RTFC Director and Board Secretary-Treasurer Paul Violette is no stranger to the telephone business. His grandfather joined the Merrimack County

Telephone Company in 1928. His mother was a switchboard operator for the phone company, and his dad was in the business, too.

“I followed in their footsteps,” says Violette, who has been president and CEO of MCT Telecom and its subsidiaries since 1986. “I remember hanging out with my father and grandfather, helping out on the lines.”

So, it was no surprise that after three years in the Navy, Violette returned home to join Merrimack County as a lineman apprentice.

After 37 years in the business, Violette isn’t bored with the family business. “It’s a constant challenge with changing technology. There’s always something new, and it’s a lot different today than it was 15 years ago or when all we had was local lines.”

Today, MCT Telecom includes Merrimack County Telephone, an ILEC serving 18,000 access lines in eight exchanges across 550 square miles in central New Hampshire. MCT subsidiaries include a cable TV system, an ISP company, a long-distance company and ownership in a regional carrier.

Besides the RTFC board, Violette other key leadership roles include:

- Director, United States Telephone Association (USTA)
- Director, Oxford Telecom – Maine
- Director, Northeast Competitive Access Providers LLC – Maine/NH (NeCAP)
- Member, NTCA’s Industry Committee



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on not only a company level, but also at individual levels – encouraging employees to contribute as part of an ‘I Believe in Rural America’ giving campaign,” Blum says.

“My vision is for FRED to be recognized as a resource for telephone companies to help rural community development,” says Blum, who plans to expand the foundation’s rural development role in 2001 by accepting applications and handing out rural development awards year-round.

“Whether it’s giving away \$1,000 for a tree-planting or \$2,500 to bulldoze an eyesore in the community, I see these awards as having a significant impact. We want to go beyond pure economic development to enhance the quality of life in rural communities served by our members,” Blum says.

One of the foundation’s missions that hasn’t changed over the years is its commitment to education. FRED’s rural outreach program brings lawmakers into rural communities to see first-hand how their legislative decisions about telecommunications policies and funding affect small telcos and the towns they serve.

“Members have not taken advantage of that program to its fullest extent in recent years, but it’s still an important part of our charter,” Blum says. With other telecommunications topics drawing the eye of Congress in the upcoming legislative

session, the rural outreach program could provide an up-close view for some legislators invited to spend some time with their rural constituents served by small telephone companies.

“It’s my number-one goal to make sure FRED fulfills its role as a resource for our members and their communities. That’s what it’s all about,” Blum says.

OPASTCO members interested in applying for rural development or other grants can contact FRED staff at the OPASTCO office for applications, beginning in early 2001. Funding for the rural outreach program also is coordinated through OPASTCO staff, who can be reached at 202-659-5990. ■

## **RTFC ANNUAL MEETING: FEBRUARY 7**

Mark your calendars now and plan to attend RTFC’s 2001 Annual Meeting and Business Luncheon on Wednesday, February 7, from noon to 2 p.m.

Held in conjunction with NTCA’s Annual Meeting and Expo in Orlando, this year’s annual meeting will include business and financial reports, as well as elections of District 3 and 4 directors.

More information about this and other RTFC activities taking place in Orlando will be mailed in December.