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CHARLES GOWDER • GENERAL MANAGER

June 25, 2002

Ms. Roberta Purcell, Assistant Administrator  
Telecommunications Program, RUS  
Room 4056, Stop 1590  
1400 Independence Ave, SW  
Washington, DC 20250

Dear Ms. Purcell:

**Statement on Behalf of Valley Telephone Cooperative, Inc. submitted by Charles Gowder, General Manager**

Valley Telephone Cooperative, Inc (VTCL) serves 7,300 square miles of rural South Texas ranch land. Valley serves 6,600 customers across 17 Texas counties. Valley Telephone has a customer density of less than one customer per square mile. Valley initiated broadband deployment of high speed Internet access in February 1998. A state tariff was authorized offering a 700kb service. Initially about 20 customers purchased the service. Valley Telephone was a leader in deploying DSL technology always believing that DSL could be effectively provided even in extremely rural environments.

In September 1999 Valley adopted the NECA tariff and canceled the state tariff. Valley offered customers 3 levels of service starting at 256kbps up to 1.3Mbps. In June of 1999 a DSL plug-in card for Digital Loop Carrier became available. Valley utilized this technology allowing the wider range of services. Pricing for service started at \$45 per month up to \$105 per month.

In 1995 Valley initiated deployment of Digital Loop Carriers (DLC) supported by fiber optic cables. Valley believed then and continues to believe that even in a low density rural environment that fiber optic based technology delivers the best long term economic results. Fiber optic based systems also deliver improved telephone service.

By December 2001 Valley could provide broadband services to 75 percent of its customers; 41 percent from the central offices and 34 percent from Digital Loop Carrier serving areas. By December 2001 Valley subscribers found the high speed Internet service desirable with 336 customers or 5.2 percent purchasing the service.

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On April 22, 2002 Valley announced 100 percent broadband availability and improved pricing of the high speed Internet access service it provides. Service speeds range from 128kbps to 1.3 Mbps and prices range from \$34 to \$105. Customers are increasing with 6 percent of customers currently buying the service. Valley believes it will see 10 percent of its rural customers buying high speed Internet access by June 2003. In one exchange 17 percent of customers purchase broadband services.

Rural customers want and need broadband services to conduct business and educate its youth.

Broadband services can be delivered through fiber optic and copper cables in the most extreme rural environment.

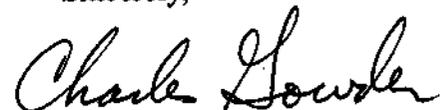
Long term economics are favorable but there is high first cost.

Broadband services and basic telephone services can only be provided through the support of Universal Service fund. Valley investment per customer is \$11,000 but investment has been essentially flat over the past 7 years. Valley Telephone Cooperative has controlled its Construction Program during the 7 year build out phase. Flat capital funding and improved technology has helped control telephone investment.

The incremental cost for broadband services are economically viable even in a low density market if longer pay back of Capital is assumed. Longer Capital recovery periods make sense for long term providers such as rural telephone companies. **Competitors are not addressing low density markets and will not provide service in the type of markets Valley serves.**

With a commitment from communications providers, significant rural areas of the country could receive broadband services in a cost effective program of 5 to 7 years.

Sincerely,



Charles Gowder  
General Manager