



TELECOMMUNICATIONS GUIDE

Rural Telcos Pioneered “Triple Play” Services

Not long ago, we heard a lot about a “digital divide.” Many worried that the myriad of changes in communication technologies and the merging of video, voice and data would leave rural and inner-city areas behind. And now that large phone and cable companies constantly advertise “triple play” service “bundles” — digital phone service, high-speed Internet and digital TV — some may wonder if those worries have become reality.

Well, if some outstate Minnesota telcos are any indication, the worriers can find something else to be concerned about. That’s because smaller telcos not only offer their own triple play services, some beat their bigger cousins by doing it years ago.

These telcos provide the same high-tech, state-of-the-art features the big telcos and cable companies offer — the smaller telcos may be offering even more.

In addition to providing their customers with services they want and need, telcos have competitive reasons for doing triple play — revenue losses from other sources. These include fewer wired landline phones as people, especially those under 30, increasingly choose to go completely wireless. That leaves fewer access fees from long distance companies for using the telcos’ networks because more and more calls are being made on wireless phones or over the Internet.

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Melrose Telephone Company

Dean Mohs, COO of Melrose Telephone Company, which serves 18 communities, including Richmond, Kimball and Watkins, in a 575-square mile area of Todd, Stearns and Meeker counties, explains telcos’ situation this way: “We keep losing access lines and long distance minutes, so we need to find other ways to use our network to generate revenue. Our infrastructure is expensive to build and it doesn’t maintain itself. We also can’t stay up to date without income from somewhere. Triple play has given us an opportunity to generate revenue from our network.”

The desire for high-tech services is definitely there. Melrose Telephone, which has only offered Internet TV for a year, now provides the service

on 1,000 of its approximately 11,000 access lines. Melrose’s story isn’t unique, either. Three more follow.

Arvig Communications Systems

Based in Perham, ACS provides phone service as the incumbent local exchange company (ILEC) over nearly 42,000 access lines in more than 20 cities and towns in Minnesota’s north central and northwest lakes country. Cities include Hawley, Henning, Mahnomen, Park Rapids, Perham, Staples, Wadena and Walker. The number of lines swells by many thousands during the summer.

The original cable TV franchisee in Detroit Lakes, ACS started upgrading its technology in the late 1990s when it realized that income from other sources would keep declining. Internet phone companies, for example, known by the acronym VOIP (voice over Internet protocol), “pay no access fees to ride on our network, even though we paid millions to build it and must still maintain and upgrade it,” says David Arvig, ACS vice president and COO.

ACS first offered triple play in 1999. “It keeps people with us because we can bundle services,” says Arvig. ACS took or will take the extra step of building higher-bandwidth fiber-optic cable to all homes in the areas where it’s the incumbent local phone company. “One hundred percent of our customers can get high-speed Internet service at competitive prices,” Arvig notes. He adds that the company built fiber to the home for a future “when we’re going to need even faster speeds.”

Hutchinson Telephone Company

Hutchinson Telephone Company (HTC) offers voice, video and high-speed Internet service to all of its customers in the Hutchinson area. The company also provides these services in Litchfield, through its subsidiary Hutchinson Telecommunications Inc. HTC has been offering triple play services since 1999 as consumers want bundled services, says HTC Chairman - President - CEO Walt Clay. As one of the first companies in the state to offer these services, HTC founded BroadBand Visions (BBV) and offered the use of the headend to other member companies. That head-end transmits cable television signals to many partners throughout Minnesota.

“We felt we had to go beyond being a plain telephone company to stay competitive. We looked at different options and developed a product that provides video and Internet using the twisted copper-wire infrastructure we already had to homes and fiber-optic cable we built to nodes throughout our exchange area,” Clay explains.

HTC aggressively markets video and Internet with voice because its cable TV competitor “is aggressive in marketing voice and Internet with video,” Clay notes. But Hutchinson Telephone also received encouragement from the cities of Hutchinson and Litchfield to offer more services so individuals and businesses had more choices. “We were fortunate to have two governments who wanted to work with us,” Clay says. “That’s not the case everywhere.”

Paul Bunyan Telephone Cooperative

Serving most of a largely rural 3,600-square mile area in northern north-central Minnesota, Bemidji-based Paul Bunyan is a co-op with about 24,600 access lines, more than half in CLECs that it operates in Bemidji, Cohasset and Grand Rapids.

Paul Bunyan has offered high-speed Internet to all customers since 2004 (it was the only such provider in Bemidji for two years from 1999 to 2001) and offers digital TV to about 94 percent of its customers, a very good number considering its service area’s sparse population. The company has offered triple play bundles since 2001. “People love the convenience of paying for all three services on one bill,” says marketing supervisor Brian Bissonette. Cohasset and Grand Rapids approached the co-op to provide video competition for their original cable TV franchisees so prices would drop. They did, and considerably, Bissonette says.

Because wireless reception is spottier than other areas and cell-tower construction is harder to justify economically, Paul Bunyan has lost fewer access lines than some other companies. But it still needed to grow its customer numbers to raise funds so, as Bissonette explains, it could “offer things like high-speed Internet to all our customers, no matter how rural they are, at reasonable rates.”

“Comminfotainment”

The future may belong to “comminfotainment” providers who bundle channels of communications, information and entertainment. If so, many outstate telcos are positioned to be providers of the content and services their consumers will want and, in many cases, need to compete economically.

MTA Member Profile: Eckles Telephone of New Prague

The Eckles Telephone Company, doing business as BEVCOMM, the name of its Blue Earth-based corporate head, has served the New Prague area since 1939. Owned by the Eckles family, which has been in the communications business for four generations, Eckles Telephone has always provided its customers with outstanding service. That tradition continues with the latest technology

and products, including a “triple play” bundle of local phone service, cable TV and high-speed Internet the company have been offering for two years.

“It’s recognition of the convergence of data and shows our determination to stay ahead of the game,” says company manager Dirk Berger. “We’re very proactive when it comes to having leading-edge technology and the latest products.”

In addition to burying all its wires, Eckles Telephone has invested heavily in new technology. It can provide high-speed Internet to 100 percent of its customers, 130-channel digital TV to all its customers, and has wired two new subdivisions with high-bandwidth fiber-optic cable to each home. The company also provides the latest in phone features on its 4,800 access lines.

Because all employees live and work in the area, Eckles also maintains a constant local presence, allowing for fast resolution of service disruptions, something its cable competitor can’t match.

As a responsible corporate citizen, Eckles continues to support a variety of local organizations, events and fund drives. A recent effort involved helping fund a local hockey rink. “BEVCOMM believes that it’s important to give back to the communities it serves and to support what’s important to our customers,” Berger says.

Minnesota Telecom Alliance is a not-for-profit professional association representing more than 95 small, medium and large telecommunication companies providing voice, data, wireless, and high-speed broadband services to Minnesota’s metropolitan and rural communities. More information about MTA can be found on the Internet at www.mnta.org

Representing Minnesota's Telecommunications Industry Since 1909