

# Rural Telephone: a story of growth

By TOM DREILING

Then and Now could have been the theme of the April 21 Rural Telephone annual meeting held in the high school auditorium at Quinter. Hundreds of people made their way into the meeting site where reports, election of trustees, door prizes, 2006 *Years of Service* awards, entertainment by local artist Natalie Metcalf and refreshments were the evening's order.

Larry E. Sevier, CEO/General Manager, took the audience of cooperative members and employees on a trip — a trip dating back to the 1950s to the present and beyond. He reached back to the '50s because those were the formative years of Rural Telephone.

He pointed to the tremendous changes since those slower paced times, specifically naming technology. He reminded his audience that with change also came regulation. "(That) made it much more difficult to accurately predict revenue stream," he said. He talked about how competition has undergone change over the years. "It is much greater now in our industry."

Mr. Sevier recalled that in 1984 a Federal Judge — Judge Green — and the Justice Department, decided to break up AT&T (Ma Bell). Judge Green, according to Mr. Sevier, said it would not impact the small independent telephone companies. The judge said AT&T was to handle long distance and the seven RBOC's were to handle local service.

"Last year I reported that many were coming back together," Mr. Sevier said, "as long distance companies were merging with the RBOC's. Nynex and Bell Atlantic merged."

He said that now, one year later, only three companies are left — AT&T, Qwest and Verizon. He said the big got bigger and competition heated up. He reminded his listeners that the judge said the break up would not affect independent companies. Mr. Sevier said that companies, such as Rural Telephone, are facing a lot of competitors in the business today.

Mr. Sevier said it has impacted Rural Telephone's access lines, showing a 5-7 percent decline per year from 2001 to 2006. He listed the reasons customers are disconnecting — deceased members, 7 percent; miscellaneous, 11 percent; broadband, 25 percent; wireless (PCS/Cellular), 25 percent; and the economy, (outward movement), 31 percent.

"Are we alone in this?" he asked. "No, it has affected everyone nationally," he said.

A chart showed the displacement of access lines and how that trend is likely to continue through 2020, moving from pretty much an even playing field in 1995 to an 80 percent favorable shift to wireless, broadband or non carrier VoIP.

Another chart showed the decline in wireline and the growth of wireless access lines in the next few years, another staggering figure.

"We decided we needed to get back in the wireless business," Mr. Sevier said, "so we formed Nex-Tech Wireless in 2005." Sevier said he saw the need for a partner to help fund and build out in western Kansas and said, "Golden Belt Telephone was a great fit."

"We also needed a national partner, so we formed an SRA with Sprint to provide seamless coverage nationally," he said.

Mr. Sevier said since there was already "spectrum for much of our area, we purchased the remainder from Sprint. They sold us spectrum and territory to Denver via I-70." Calling Nex-Tech Wireless an anchor for Kansas, he said 124 towers were built, twice as many as competitors. He said service was launched on Oct. 15, 2005, "a great start to almost 8,000 customers."

He said Nex-Tech Wireless' projected customer growth is right on target, displaying another chart showing the 8,000 customers for 2005 and projecting slightly more than 50,000 by the year 2014.

Mr. Sevier said you cannot start a company from the ground up without experiencing some financial losses. That was evident by a chart showing a couple of rough years in 2005-06 with a rebound on the plus side of the ledger to begin entering the picture in 2007 and continuing that trend for the foreseeable future.

At this point, Mr. Sevier took his listeners back to the chart showing why customers are disconnecting. "Economy and deaths are taking a toll on our access lines," he said. He added that economic development can only do so much and the only way to make up the lost access lines is through acquisition. Enter: Sprint. "(After) Two and a half years of negotiations, we were pleased to be able to get the job done," he said. "We expect to close by September, but still need state and federal approvals."

The Sprint exchanges are Burr Oak, 203 customers; Courtland 314; Downs 690; Esbon 154; Ionia 45; Lebanon 348; Luray 188; Osborne 328; Paradise 84; Republic 152; Russell 2,822; and Webber 91 for a total of 5,419. He noted it was not common knowledge yet, but they have spun off two of the



Larry Sevier, general manager of Rural Telephone, took those gathered for the company's annual meeting back to the 1950s and then brought them back through time.

— Telegram photo by Hypatia Day

smaller communities to another company.

He pointed to another overhead illustration showing the spike in access lines as the result of this acquisition and especially noted the increase in 1996 and 1997, involving the other Sprint acquisition that involved Quinter. "Acquisition costs, rebuild costs, it will take a couple of years to recover," he said.

Mr. Sevier said "that since competition was allowed in our territory, we saw this as an opportunity to bring in revenue by competing outside our regulated territory." He used the word "aggressive" to describe this approach.

"So, Nex-Tech was formed," he said. He listed the competitive services Nex-Tech provides, and mentioned that the company overbuilt several communities starting with Norton and Almena, by combining access lines with Rural

Telephone. "We have done quite well," he said.

Mr. Sevier said that since the late 90s, "we have been gaining access lines with Nex-Tech and now overbuilt eight communities and continue expanding in others."

He said Nex-Tech provides long distance service in 98 communities, with Internet services in 69 communities, — with 72 percent broadband customers — and cable television in 29 communities.

Other overhead charts showed Nex-Tech operating revenues from 1997 to 2006 climbing from \$5 million to slightly more than \$30 million, and Rural Telephone's revenue during that time frame closely tracking with Nex-Tech's.

Employment, always a figure of interest in rural Kansas, has grown from around 50 to nearly 300 since 1994, growth that Mr. Sevier called "tremendous." He said the

300 figure does not include 50 jobs created in Nex-Tech Wireless.

Mr. Sevier closed his report by showing some of the new futuristic services that are still to come in the computer world.

"With Rural Telephone and Nex-Tech, you can experience the wonderful technologies generally only found in the cities, but still experience the quality of life found in western Kansas," Mr. Sevier said.

## Years of Service awards given at meeting

*Years of Service* awards given at the Rural Telephone annual meeting included:

Five Years — Neva Fischer, Eric Helm, Angie Schick, Suzi Clark, Tom Green, Melissa Lindenman, Lynette Jordan, Tara Turner, Cody Howland, Mike Pollock, Jamie Johnson, Wade McDowell, David Kimbrell, LaRoyce Brown, Jessica Howell, Tammy Wellbrock, Tonya Juenemann, Kari Schamberger, Bernie Mindrup, Bob Dombroski, Vance Scott, Nicole Rhea, Deb Morrison, Wesley James, Jodi Cockerham.

Ten Years — Dianne Schwertfeger, David Graham, Darin Winkel, Teresa Clydesdale, Jeremy Rumback, Sherry Showers, Cale Wilson, Doran Zeigler, Camber Boland, Sherri Hachmeister, Hans Eickenberg, Jeff Husband, Diana Smith, Sue Urban, Roy Delzeit, Scott Roe, Marcia Shoemaker, Janice Cunningham, Linda Yohon, Patrick Trapp.

Fifteen Years — Jacques Beckman, Shane Broyles.

Twenty Years — Larry E. Sevier.

Thirty Years — Board Member Bob McCall.

## Board of Trustees:

Here is the complete board of trustees for Rural Telephone:

President, F.C. Brungardt; Vice President, Glenn Lambert; Secretary/Treasurer, Jim Harries; Assistant Secretary, Phyllis Weller; and Doug Ziegler, Ron Rahjes, Jerry Patterson, R.E. "Bob" McCall, and Charley Minium.

## Government surplus food will be distributed May 12

The Norton County Senior Citizens will distribute government surplus food for low-income persons of all ages in Norton County.

Food included in the distribution is: peaches, cranberry juice, pork, noodles, bran flakes cereal, whole kernel corn and peanut butter.

Food distribution will take place at these times and places: Friday,

May 12 from 9 a.m. to 11 a.m. at the Senior Center in Almena; from 2 p.m. to 3:30 p.m. at the Senior Center in Lenora; from 2 p.m. to 4 p.m. at the Senior Center in Norton; and on Saturday, May 13 from 2:30 p.m. to 3:30 p.m. at the library in Clayton.

For more information regarding government commodity distribution, call Ramona Pabian at 877-5352.

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