



INDEPENDENT TELEPHONE & TELECOMMUNICATIONS ALLIANCE

**Testimony of Curt Stamp
President, ITTA
Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign
Agriculture
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Good morning Chairman McIntyre, Ranking Member Conaway, and members of the Subcommittee. Thank you for the opportunity to testify on the development of rural broadband and, specifically, the implementation of the 2008 Farm Bill and the Broadband Technology Opportunities Program (“BTOP”) and the Broadband Initiatives Program (“BIP”) which are administered, respectively through the National Telecommunications and Information Administration (“NTIA”) and the Rural Utilities Service (“RUS”).

I am Curt Stamp and I am the President of the Independent Telephone & Telecommunications Alliance (“ITTA”). ITTA is an alliance of mid-size telecommunication carriers¹ that serve more than 30 million customers in 44 states. ITTA members primarily serve rural and small markets with low population densities, and face the challenges inherent to bringing service to the wide open spaces of the Nation. Despite the challenges of these markets, ITTA members are at the forefront of providing advanced services to rural America. Their respective efforts have included not only serving rural America with robust and affordable broadband service, but also programs such as partnering with computer manufacturers to bring value-priced computers to consumers. These initiatives increase not only availability, but subscribership as well.

Today, on average, broadband is available to somewhere between 80 and 90 percent of the consumers serviced by ITTA member companies. ITTA members continue to push broadband further and further into rural America, at faster and faster speeds. In 2008, ITTA members invested hundreds of millions of dollars in their networks and broadband deployment.

Through the leadership of Congress, monumental broadband deployment incentives -- including broadband mapping legislation, RUS reforms in the 2008 Farm Bill, and most recently, broadband stimulus funding included in the American Recovery and Reinvestment Act of 2009 (“ARRA”) -- have been enacted. As these programs are implemented the focus should be on making broadband accessible to those who have no access today. Getting some broadband to all must take priority over funding multiple providers in areas that already enjoy the benefits of broadband.

¹ ITTA member companies include CenturyLink, Comporium Communications, Consolidated Communications, FairPoint Communications, Frontier Communications, Iowa Telecom, Qwest Communications, TDS Telecom, and Windstream Communications.

As Congress has recognized, serving America with broadband can be an economically challenging endeavor, particularly when compared to serving urban or suburban areas. While rural networks must cover substantially more area than more densely populated regions of the country, rural areas contain fewer consumers to buy those services. On average, rural consumers are older and have less money to buy such services than their counterparts in other parts of the country. Although ITTA members have done an excellent job deploying fast and affordable broadband services to the vast majority to their customers, these factors make some portion of these rural areas extremely difficult to serve without government support.

For wireline companies serving rural America, the incidence of fewer customers per square-mile increases dramatically the amount of per customer investment that is necessary to provide service. An average ITTA member company has fewer than 24 access lines per square mile. The result is that the remaining 10 – 15 percent of customers who currently do not have access to broadband are the most expensive to serve and cannot be reached without some sort of external assistance like Universal Service support, RUS Rural Broadband Loan Program, or stimulus funding.

While the Universal Service Fund and RUS programs have helped bring broadband to additional rural consumers, much needed reform of the programs to reflect today's changing telecommunication landscape has been slow to come. Understandably, this is partly due to the fact that technological innovation can often move forward more rapidly than normal regulatory processes. Thanks to the leadership of this subcommittee, however, the RUS program was reformed in the 2008 Farm Bill, which currently is at the Department of Agriculture awaiting final rule implementation. In regard to the Universal Service Fund, ITTA has worked closely with Congressmen Boucher and Terry on reforms for mid-size, rural carriers that were included in H.R. 2054 in the 110th Congress. We remain optimistic that Congressmen Boucher and Terry will reintroduce their USF reform bill and again mid-size rural carrier reforms will be included. Once in place, these reforms will help more consumers obtain the benefit of comparable broadband service to those living in more densely populated areas.

ARRA Implementation:

The commitment made by Congress and the Administration in ARRA to expanding broadband to Americans who do not have access today is commendable. The primary purpose of ARRA was to bring robust and affordable broadband service to consumers who currently do not have broadband available to them. Its success, therefore, will be judged upon whether its implementation expands broadband service to unserved areas. ITTA encourages the Committee to exercise its oversight authority to ensure this is the case, especially during the first round of funding, and to seek changes if ARRA programs fail to fund significant new deployment in unserved areas.

ITTA and its member companies commend RUS, NTIA, and the Federal Communications Commission ("FCC") for their efforts in implementing ARRA. ITTA further commends RUS and NTIA for recognizing that it is in the public interest to allow private companies, like ITTA's membership, to participate in the program and that waiver of the Buy America provision for certain telecommunications equipment was needed. Of course ITTA and

its members are still actively reviewing the complex and substantial rules released only late last week, but ITTA has identified a few issues that it would like to bring to the attention of the Committee as it exercises its oversight of this critical legislation. As we gain further insight from the BIP and BTOP application, I hope that there will be additional opportunities to speak on issues raised in the stimulus provisions adopted by RUS and NTIA. My comments today are limited to potential issues that immediately stood out to ITTA, but other regulatory provisions (such as those prohibiting the sale and lease of broadband facilities and those imposing onerous reporting and monitoring obligations) also may warrant Congressional attention.

First, although grants, not loans, are needed to spur deployment in most remaining unserved areas, BIP effectively limits grants at 50 percent for all but the most remote areas and prioritizes applications with greater loan amounts as compared to grants. RUS and NTIA have further determined that NTIA, which offers grants for up to 80 percent of project costs, will not award funds to predominantly rural areas unless RUS first has declined to offer a project funding. It is unclear how this provision will be implemented, but it could have the effect of delaying or blocking predominantly rural areas from receipt of NTIA funding, which is significant due to the substantially higher available grant amount cap available from NTIA's BTOP program as compared to RUS' BIP program. To ensure adequate funding is available for unserved consumers, the Subcommittee should recommend that a substantial share of NTIA's BTOP funding be set aside for last mile deployment in predominantly rural areas.

Second, BIP rules favoring slower wireless projects over faster wired projects are not on their face technologically neutral and consequently could result in deployment of inferior connection speeds in rural areas, which could expand the rural-urban digital divide. Under BIP rules, wireless projects will receive prioritization at speeds that are 10 times slower than the threshold established for wireline broadband service providers. For example, all things being equal, BIP would prioritize a wireless broadband project that offers consumers speeds of 2 Mbps over a wired project that offers 19 Mbps. Although broadband providers using all different kinds of technologies should be eligible to compete for funding, this preference for slower wireless connections appears to be contrary to Congressional intent to use broadband to "facilitate rural economic development," without regard to specific technologies employed.

Third, the BIP rules do not seem to place priority on deploying broadband to unserved consumers in the manner called for by ARRA. Although the statute dictates that "priority for awarding funds...be given to projects that provide service to the highest proportion of rural residents that do not have access to broadband,"² applications to deploy broadband to unserved areas appear to be afforded little, or no, priority over applications that would merely insert another broadband provider into an area where service is already available.

Finally, ITTA is concerned that the nondiscrimination and interconnection provisions of the NOFA create special obligations on broadband providers that are ready and willing to deploy broadband in areas that are the most difficult to reach. The uncertainty associated with these new obligations unnecessarily complicates the calculus for carriers considering seeking funding, and may reduce the number and quality of providers stepping forward to compete. For years, ITTA members have abided by the principles contained in the Internet Policy Statement adopted

² American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, 123 Stat. 118-119 (2009).

by the FCC. Our members recognize that in today's competitive marketplace customers will not tolerate an inability to access the lawful content and applications they wish on the Internet. The proposed requirements, however, go well beyond the FCC's Internet Policy Statement and could implicate a broadband provider's entire network, as network providers cannot easily cabin off one portion of their network from the rest. To the extent new prophylactic rules regarding nondiscrimination and interconnection are warranted (and there is no record suggesting they are), any such obligation would be most properly assessed and adopted in the context of a traditional rulemaking conducted by the expert agency – which here is the FCC.

RUS

With passage of the 2008 Farm Bill positive reforms were made. ITTA is hopeful that the new rules will be implemented soon. Any future delays in rule implementation process will only further undermine the value of the RUS broadband loan program and slow the expansion of broadband to those who need it most.

In regard to the 2008 Farm Bill, ITTA strongly supported the following reforms:

- Priority to applicants that that can provide broadband service to households that currently, are unserved by a broadband provider.
- Entities must complete build out of the broadband service not later than 3 years after the initial date on which the loan was made available.
- Loans cannot be provided to areas where more than 75% of the households are offered broadband by two or more incumbent service providers. In areas with three or more incumbent providers loans may not be granted.
- Improved transparency on all applicants as well as streamlining the application process.

Conclusion

Mr. Chairman and Members of the Committee, in closing, I would like to add that this is a very exciting time in National broadband policy. At no other time in our Nation's history has more public policy attention been directed towards broadband than today. The FCC has opened a major proceeding on a National Broadband Plan and the President is committed to ensuring that every child has "the chance to get online" and broadband "will strengthen America's competitiveness in the world."³ Under the leadership and oversight of this Committee and Congress strides have been made in ensuring broadband availability across America. ITTA is hopeful that with your oversight we can work with RUS to develop a program that will help realize the goals of Congress and to bring the economic, health-care, and educational benefits of broadband to rural and high-cost areas throughout the Nation.

Thank you for the opportunity to testify today. I would be happy to answer any questions that you may have.

³ "Obama: Broadband Computers Part of Stimulus Package," Network World (Dec. 8, 2008).