



Remarks by Rural Development Under Secretary Dallas Tonsager at the Broadband Breakfast

October 18, 2011

Good morning! And thank you for the inviting me to kick off today's discussion on bringing broadband to rural areas. It's an honor to be here with this impressive group of panelists to discuss this very important topic.

Not only is this critical for everyone in this room, it's also important to this Administration - from President Obama to USDA Secretary Vilsack, and from me to our RUS Administrator Jonathan Adelstein. Administrator Adelstein and his staff have done an excellent job overseeing the single largest broadband investment in USDA history thanks to funding made available by the American Recovery and Reinvestment Act of 2009.

Rural broadband expansion represents the most critical technology infrastructure challenge this country has faced since rural electrification back in the 1930's.

I'm proud that RUS played a significant role in getting the job done then, and I'm glad that we're at the helm once again to get the job done now.

The stakes are high right now. I'm on the road a lot in my official duties as Rural Development Under Secretary. Nearly everywhere I go, I've been told that when broadband comes to town, opportunities for education, health care, and economic development flourish. And when it's not there, rural communities and economies deteriorate, and their young people move on for lack of opportunities. The future of these communities is at stake in the debate we're having in Washington.



Our nation is emerging from the most serious economic crisis we've experienced since the Great Depression.

We face large questions about preserving and advancing our leadership position in the world, the demographic challenges of the retiring baby boom generation, and the challenge of competing in an unprecedented way with low-cost wages in China, India and Mexico.

At the same time, we're constantly adapting to advances in science and technology that change the way we live, the way we learn and communicate, and the way we do business. When I'm on the road, I'm able to keep up-to-date with work and with life back home thanks to my iPad.

While we mourn the passing of Steve Jobs, we have to ask ourselves – where will the next Steve Jobs come from? Perhaps he or she is growing up in a dairy farm in South Dakota, like the one I came from. Or maybe they're down in a small rural town in Georgia. One thing's for sure: they will never reach their full potential if they don't have broadband to turn them onto technology, advanced educational offerings, and the world of innovation at their fingertips.

Rural broadband expansion isn't just for the benefit of rural America. The whole nation benefits from a more connected America. China has 1.3 billion people. We have 300 million. We need to help each and every one of our kids to reach their full potential, and that won't happen for the 50 million residents of rural America **unless** they have access to broadband. The United States needs a technology and productivity advantage to allow us to effectively compete against our global counterparts.

President Obama understands, as Roosevelt, Truman and Eisenhower did before him, that one of the keys to American prosperity is encouraging public and private investment in productivity-enhancing infrastructure.



That's why infrastructure investments make up a significant component of the **American Jobs Act**, which the President unveiled last month. While obviously the Act has run into challenges in recent days, we are pressing forward on the effort to stimulate job creation.

Right now, there are many hard-working, capable Americans who are looking for jobs in this very tough economy. The American Jobs Act was put forward to fast-track the creation of jobs, to provide much needed relief to America's working families, and to invest in our country's critical infrastructure. The President's plan would provide for badly needed upgrades and repairs to our Nation's transportation and utility networks, giving private construction companies plenty of work. Now, it's a question of whether Congress wants to work together to get it done.

Many times, the President has said the most important contest we, as a nation, face today is not that between Democrats and Republicans. Rather, it's America's contest with global competitors for the jobs and industries of today and tomorrow. He's right about that, and as you all know, broadband plays a critical role in that competition.

I'd like to return to that topic of the RUS Recovery Act broadband program. The second part of this session's title asks "**Where is the Progress?**" and I'm happy to tell you that we're making steady progress on the build out of our Recovery Act broadband projects.

In total, the Rural Utilities Service invested \$3.5 billion in new and improved rural broadband infrastructure, and they made a point to direct resources where they were needed most. RUS made 25 awards amounting to over \$110 million to minority and tribal organizations. Those projects overlap with 31 tribal lands and 123 persistent poverty counties. That's more than a third of the persistent poverties nationwide.

These Recovery Act loans and grants are expected to create roughly 30,000 jobs to build these networks. Once built, they will provide a solid platform for continued job creation for years to

come.

I'm proud of what we've accomplished, but our work is far from done. Now, we're managing the implementation of these historic investments. We're thrilled to see construction underway on projects across the country. That means jobs and dollars circulating in rural communities.

As of now, over one hundred projects are in active construction or completed. While the process is moving a little slower than we had anticipated, we are seeing progress every day. These large-scale infrastructure projects require careful due diligence, including state environmental and historical reviews. RUS is working hard to push all projects into active construction, while we make sure that all the necessary due diligence is completed. We need everyone working together to move these projects forward, and I'm confident they will get done.

We are on track to expend all Recovery Act funds by September 30, 2015.

We're seeing success stories in completing projects across the country. Up in Alaska, Copper Valley Wireless used \$3.4 million in loans and grants to expand terrestrial broadband access to over 1,000 remote Alaskan households and 10 community facilities. Over in Oregon, Gervais Telephone Company completed their project - laying 9 miles of fiber to offer fiber-optic broadband service to households, businesses and community buildings in Marion County, Oregon. In Minnesota and North Dakota, Halstad Telephone Company has completed two projects, bringing fiber-to-the-premise broadband access to thousands of households, businesses and community facilities.

RUS continues to build on the momentum created by our Recovery Act investments with an initiative designed to close the broadband service gaps that persist across rural America.

“Build Out and Build On” is a priority effort to collaborate with USDA's network of Rural



Development offices –to bring communities and technology providers together to close service gaps, and to conduct effective, targeted outreach for our broadband loan and grant programs.

The “Build On” part of the effort looks at how RD can help to build businesses and economic opportunities on top of those new and existing broadband networks – whether or not they’re financed by RUS. With “Build On”, RUS is collaborating with the Rural Business Service, and our RD State Directors and Broadband Coordinators, to find ways to expand existing businesses using broadband. We want to equip farmers and small, disadvantaged rural businesses how they can harness the transformative power of broadband to expand their markets and grow their business.

While this Administration has made tremendous strides through the Recovery Act in meeting the extraordinary demand for broadband in rural areas, we continue to meet that demand through our regular programs in a technology neutral manner. In fact, RUS just completed the announcement of \$103 million in funding through the Community Connect grant program which was heavily oversubscribed, along with a number of traditional telecommunications loans. The communities served through this small-but-powerful program are often the ones that stand to benefit the most from broadband access.

Our traditional Telecom Infrastructure loan program typically provides \$690 million in funding assistance each year to rural telecom providers, and we expect to make the last of our 2011 announcements soon. We also have the Farm Bill broadband loan program, which is another avenue of valuable assistance for rural startups and telecommunications providers. This year, the Farm Bill program saw decreased demand, so we expect to have carryover funding available for 2012.

We at Rural Development know the need for broadband in rural areas remains. The FCC’s rural broadband report, done in conjunction with USDA, posits that approximately 28% of rural Americans lack access to fixed broadband at 3Mbps or faster.



And rural consumers have fewer choices among broadband technologies and providers than other consumers. So we have an important role to play in addressing that gap.

The RUS broadband programs help rural communities keep pace with their urban and global counterparts. But their work in telecommunications would be more difficult and more costly if it were not for the **Universal Service Fund**, or USF.

USF helps keep phone rates affordable in high-cost areas, connects schools libraries and rural health care to high speed data services and provides support for low income consumers.

Some make the mistake of viewing policies like universal service, rural electrification, or RUS lending for telecommunications and support for broadband, distance learning and telemedicine as some sort of “favor” or “give-a-way” to rural Americans. It is quite the opposite.

A strong network is a strong America. Urban consumers and urban workers have a stake in rural connectivity. It is just as valuable to a worker in New York City that their goods, services and ideas can reach Crab Orchard, Kentucky, as it is for rural citizens to reach the great cities.

The ability of a telephone, smart phone, or computer to reach almost anyone in our large and vast country is the thing that gives value to our entire communications network.

When it comes to jobs, rural infrastructure investments are investments in America and American workers. The course of USF reform will affect investment, workers and consumers.

We’ve been following the FCC’s progress on this very closely, and we’ve provided them with aggregate data from our RUS portfolio to inform their process. The successful conclusion of the USF debate will give the public, investors and lenders, confidence to move communications networks to the next level.



Rural Development values our historic partnership with rural cooperatives that have served this country with courage and distinction over the last 80 years. I applaud our cooperative leaders as October is, in fact, Cooperative Month. They work tirelessly to serve their communities and, in doing so, they transform the quality of life in those communities. Cooperative leaders recognize the importance of broadband to their regional economic landscape.

Broadband is the communications infrastructure of the 21st Century. Our President talks about rural broadband all the time and is personally committed to having full participation in this new digital economy. We have much work yet to do, but the American spirit combined with inspired innovation give our nation the tools we need to succeed in these most extraordinary times.

Thank you again for having me here today.