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Senate Hearing Looks at Rural Telecom Big Picture

Witness Discuss Need for USF, ICC and RUS Loan Reform

A group of witnesses before the [Senate Commerce Committee](#) said that the financial state of the rural telecommunications business is reaching a critical point. The hearing this morning looked at all of the federal government programs and regulations. All agreed that the current system does not meet rural consumers' needs as demand grows for broadband Internet access. Witnesses discussed specific ideas to reform the Federal Universal Service Fund (USF), intercarrier compensation rules and the Rural Util Service's (RUS's) Broadband Loan Program.

USF reform, the topic of two Commerce committee hearings last week ("[Rural Telcos Promote Stronger USF Distribution System](#)," *NRTC Update RSS*, March 2), continued to occupy much of the committee's attention. The tough USF-related choices that government and telecom carriers will have to make lead many to believe that legislation to rewrite the Telecommunications Act of 1996 during the current Congressional session will not be possible. "If we can get an agreement on Universal Service, we can get a bill," Stevens said.

Today's hearing included USF analysis from a different perspective, that of Craig Mundie, Microsoft president, Advanced Strategies and Policy. Microsoft has taken an interest in the cause of rural broadband and advocates several policy reforms. "[USF] is still important and useful, but clearly needs reform," Mundie said. "Any new funding mechanism must be stable, sustainable, easy to administer and competitively neutral." Microsoft favors a connections-based system with some fee applied to carriers of every Internet access technology, "whether wireline, cable or wireless."

Along with USF reform, Mundie urged greater use of unlicensed wireless spectrum under 1 GHz as part of a larger strategy to create broadband access at affordable prices for rural consumers.

Blackfoot Telephone Cooperative covers 90 percent of its service area, which includes extremely remote regions of Montana, with some form of broadband, said Bill Squires, Blackfoot's senior vice president, Advanced Strategies and Policy. It has been able to do so with financing from the current cost-recovery source. Squires said, the broadband rollout has been so efficient that the cooperative is due to receive less support in the coming year.

However, Blackfoot will be unable to maintain the same level of service and efficiency without changes in the rules. "As Congress and regulators develop intercarrier compensation policy, please remember that allowing other carriers to use our networks is not free. Reasonable cost recovery must be available to rural carriers," Squires said. Squires and other witnesses noted that there is a growing consensus around a revamped system with unified rural and non-rural carrier termination compensation rather than the complex system of multiple rates now in effect.

Thomas Dorr, undersecretary of Agriculture in charge of the Rural Development Authority, said that he has begun exploring a revised Rural Broadband Loan Program under its new administrator, former NRTC administrator James Andrew.

"We are trying to get more accurate information that is current [on which to base broadband loans] this program is evolving daily," said Andrew, who accompanied Dorr to the hearing. "Every day, someone comes into my office with a new technology and a new approach to things, and then the next day, it's changed completely." RUS has found it difficult to determine which technology projects are safe for Andrew said. "One person has said to me that we've already got broadband coverage in this country: satellite ... Do we really have coverage? The answer is, 'Maybe or maybe not.'"

RUS has approved about \$850 million in broadband loans, Dorr said. That is significantly less than the approximately \$2 billion a year that the government has set aside for loans and loan guarantees. One complication, he said, has been that few "traditional" RUS loan recipients -- rural telephone company cooperatives -- have applied for them. Most of the rural areas that are lagging in broadband availability are mid-sized towns served by regional Bell operating companies that are not eligible for RUS loans.

"With this review of all aspects of the Broadband Loan Program, we will attempt to make the program more user-friendly while protecting the taxpayer investment," Dorr said. "But broadband is not an end in and of itself. It is a tool to be used." The goal is the economic transformation in rural areas that broadband will help create, he said.

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