

**Statement of  
Walter B. McCormick, Jr.  
President and CEO, U.S. Telecom Association  
to the  
House Committee on Agriculture  
Subcommittee on Specialty Crops, Rural Development and Foreign Agriculture  
May 1, 2007**

Chairman McIntyre, Ranking Member Musgrave, members of the subcommittee: Thank you for this opportunity to appear before you today. I am Walter McCormick, president and CEO of the USTelecom Association. This committee has been at the forefront of helping advance the development of rural America, from bringing electricity and safe, running water to communities that never had it before, to connecting the country via the telephone and now, we all hope, via the high-speed Internet. USTelecom and its member companies are proud of the role we play connecting the country, and we wholeheartedly support the objective of ubiquitous, nationwide broadband. We were pleased to see “affordable broadband access for all Americans” as a component of Speaker Pelosi’s Innovation Agenda. We believe this should be a *non-partisan* objective of our nation’s leaders, and we believe that the Rural Utilities Service (RUS) has a critical role to play in helping bring broadband to rural areas currently not served.

USTelecom represents innovative companies ranging from the smallest rural telecoms in the nation to some of the largest corporations in the U.S. economy. Our member companies offer a wide range of services across the communications landscape, including voice, video and data over local exchange, long distance, Internet and cable networks. USTelecom is the nation’s oldest – and largest – association representing rural telecom providers. The vast majority of our member companies are rural providers. They are small businesses serving small communities. They are proud members of these communities and deeply committed to their future development. What unites our diverse membership is our shared determination to deliver innovative voice, video and data services to the consumer—a commitment we know is shared by this subcommittee. So we appreciate the opportunity to be here today.

**Regulatory Changes Have Spurred Broadband Deployment**

The Federal Communication Commission’s decisions that oriented the communications marketplace away from government-managed to market-based competition has resulted in an explosion of broadband coverage across the nation. In March 2002, the FCC clarified that high-speed cable-modem service is an information service not subject to unbundling and other Title II regulations of the Communications Act. In August 2003, the FCC exempted wireline fiber facilities from the Commission’s unbundling requirements. In September 2005, the FCC clarified that wireline broadband Internet access service is also an information service not subject to unbundling and other Title II regulations of the Communications Act. These actions have accelerated broadband deployment in the United States from just over 4 million broadband lines in 2000 to just under 16 million broadband lines in 2002 to approximately 32 million lines in 2004 to almost 65 million lines in 2006. This demonstrates a direct correlation between the FCC’s market-based policies and the explosion of broadband subscribers in the United States.

The lack of regulation on wireless services also has permitted wireless broadband services to explode as well. In June of 2005, there were almost 380,000 wireless broadband subscribers; in June of 2006, there were more than 11 million.

Internet access is available through DSL, or cable modem, or wireless, or satellite – and, increasingly, over power lines and municipal wi-fi systems. In fact, there are more than 1,270 broadband service providers in the U.S. today.

Against this competitive backdrop, North American telecommunications companies are projected to spend \$70 billion on new infrastructure this year. The next wave of broadband innovation holds the promise of significant, life-enhancing advances from health care to the environment to education and to our economy. It is critical, as you know, that these opportunities be accessible in rural America, as well. Mr. Chairman, much has been made recently of new international broadband penetration rankings from the Organization of Economic Cooperation and Development (OECD). We have some issues of our own with our country's current ranking of 15<sup>th</sup> in the world. We feel it significantly undercounts, for example, connections in the U.S. business market. It certainly also under-values the markedly more intense facilities-based competition we have here in the U.S. But the most striking dissimilarity is that 10 of the 11 countries allegedly in front of us are significantly smaller than the U.S.—as diminutive as Norway, which is comparable in geographic size to New Mexico. A majority also have much smaller *populations*, including Iceland, an entire country that is comparable to the metro area of Naples, Florida. The exception is Canada, which is a country of vast geographic expanse. However, 80% of the population is clustered along the U.S. border. So the true broadband challenge before our country is precisely the challenge we are here today to discuss. How can we most efficiently work together to connect parts of the country where the marketplace alone is incapable of attracting the significant investment necessary to truly build a broadband nation?

### **The RUS Broadband Program -- Modest Changes Could Produce Dramatic Results**

Our member companies want to work with the subcommittee to completely close the gap in broadband coverage. In its relatively brief history, the RUS broadband loan program has achieved some successes. But we believe with modest changes, largely based on the successful RUS telephone program, the program could accomplish even more.

As the subcommittee begins to write the rural development title of the Farm Bill, USTelecom would make the following recommendations to advance our collective goal of helping the nation achieve universal broadband penetration:

- 1) Better target areas currently not served;
- 2) Enhance incentives for investment in the areas not served;
- 3) Expand program eligibility;
- 4) Improve processing at USDA, and
- 5) Explore public-private partnerships.

### **Revise the eligibility rules to better target areas not served**

We believe the primary weakness of the current program is that it does too little for areas with no access to broadband. Although the nation is dotted with areas currently not served, the USDA Inspector General concluded the program's focus has shifted away from rural communities that would not, without government assistance, have access to broadband technology.

In revising eligibility rules, we believe the subcommittee need look no further than the RUS telephone program. This program has a 60-year record of success, and we believe it holds important lessons for broadband. In the telephone program, initial loans to areas with adequate, existing service are discouraged. In fact, the RUS administrator must issue a non-duplication finding prior to making a loan. In the broadband program, such a requirement would help direct funds to where they are most needed – those areas with no existing broadband service. Making loans for duplicative facilities and service, when other citizens in rural America reside in areas with no service at all, is a waste of scarce government resources. In addition, the telephony program requires that service be extended to the widest practical number of users in the service area, avoiding a problem that has sometimes arisen in the broadband program, where service is only provided within town limits, but not to the surrounding county.

### **Enhance incentives for investment in areas not served**

Providing broadband service in rural and remote areas is a challenging proposition. While the current practice of offering cost-of-money loans makes projects financially viable in some areas, other higher cost areas will require below-cost loans or a combination of loans and grants to make a costly infrastructure build feasible. This will become increasingly important as the program narrows to focus on areas with truly no access. Congress should encourage RUS to look at the unique needs of these areas and to enhance incentives for the private sector to act. Taxpayers will reap the benefits through loan repayments and tax revenues generated by broadband-driven economic development. We believe that taking these basic steps would increase the number of loan applications to areas with no service facing significant economic barriers to investment, such as low population densities or difficult terrain.

### **Expand eligibility to more applicants**

We also believe steps should be taken to expand the number of companies eligible for broadband loans. When the broadband program was established, a provision was adopted prohibiting loans to telephone companies with more than 2% of the nation's access lines. This is counterproductive. Some USTelecom members serve rural areas that would otherwise qualify for broadband loans. For example, the FCC classifies Embarq as a rural carrier in 17 of the 18 states it serves, yet it is prohibited from applying for RUS broadband funds. Meanwhile, RUS is searching for more applications from carriers seeking to serve untouched areas. Again, if I might refer you to the successful, 60-year-old telephony program – it has never had a 2% restriction, and it has never suffered as a result. The emphasis in our view should be on the infrastructure needs of a community, not on the company willing to serve it.

### **Improve processing at USDA**

USTelecom also advocates that steps be taken to improve processing of loan applications at USDA. At present, the broadband and telephony programs have access to a small number of attorneys in the Agriculture Department's general counsel office. This has created a bottleneck when legal decisions are needed and caused delays in processing loan applications—delays that too often put broadband deployment on hold in communities with no service.

### **Explore public-private partnerships**

Finally, I point the subcommittee's attention to the successful public-private partnership in Kentucky, driven by a non-profit organization called Connect Kentucky. Connect Kentucky has worked with the RUS broadband program, but has gone much farther than would have been possible with RUS alone. Its first objective was to map broadband availability in the whole state, something that no other state has done. Then it created technology teams in each community that lacked broadband. These teams looked at computer ownership, technological literacy, and other factors to increase demand for broadband. At the same time, the teams worked with broadband providers to match up new demand with new broadband deployments. By the end of 2007, Kentucky will go from having one of the lowest broadband subscription rates in the country to having broadband available to 100% of its households. That's impressive progress, and we think Congress might look to Connect Kentucky as a model for what works. In fact, we understand that Senator Durbin has recently introduced legislation that would create a national program based on the Connect Kentucky model.

Mr. Chairman, in closing, let me reiterate that it is critically important that rural areas be included in the nationwide drive for greater bandwidth capacity. This modernization of the nation's communications infrastructure will seed economic growth and expand opportunities ranging from telecommuting to distance learning to telemedicine. Mr. Chairman, nowhere in the nation do these advances hold more potential than in rural America.

After 60 years of success, the RUS loan programs remain an essential public-private partnership conceived with the best of intentions—spreading opportunity throughout the country—helping the private sector overcome the often significant economic barriers associated with our nation's vast geography. The results have been impressive: RUS generates more revenue than it costs. It provides incentives where the market does not so private companies can invest in infrastructure that promotes rural economic development. And, it expands our citizens' access to services that can vastly enhance their quality of life and the economic opportunities available to them in their own communities. I'd also like to add that RUS has never lost a dime of taxpayer money because of a telecom carrier default.

We thank you for your invitation to appear today. USTelecom and its member companies look forward to working with the subcommittee and this Congress to achieve our shared objective of making broadband as ubiquitous today as electricity, water and telephone service. Broadband is an essential building block of every modern American community. We look forward to working with you to make its many opportunities accessible to all Americans. Thank you.

# Walter McCormick

## President & CEO

Walter B. McCormick Jr. is the President & CEO of the United States Telecom Association (USTelecom), the nation's premier trade association representing service providers and suppliers in the new telecommunications marketplace.

A respected Washington veteran with more than 20 years experience in telecommunications, McCormick joined USTelecom in 2001 and has guided the organization's evolution into one of the top trade associations in the nation's capital. McCormick united a broad and diverse industry to pursue two critical advocacy goals: (1) securing market-based competition that allows consumers, rather than the government, to determine which communications services and technologies succeed; and (2) preserving the future of universal service, which ensures all Americans have affordable, reliable basic phone service. USTelecom has mounted a compelling case for reform, as evidenced by the fact that Congress is now preparing for a historic update to the nation's telecom laws--an effort few in Washington believed was imminent just one year ago.

McCormick first established himself as one of the nation's leading trade association executives while serving at the helm of the American Trucking Associations. There he led a broad corporate restructuring which merged competing membership organizations and refocused the enterprise on its core missions of lobbying, litigation and public relations. The results were extraordinary: record dues revenues, a reinvigorated membership and significant legislative victories. *Washingtonian* magazine has profiled McCormick as a trade association executive with "real clout." The Capitol Hill newspaper *The Hill* has consistently named McCormick as a "rainmaker" and one of 12 "top trade association lobbyists" in Washington.

Prior to his trade association work, McCormick headed the practice group on Regulatory Affairs, Public Policy, and Legislation at Bryan Cave LLP, an international law firm of more than 500 lawyers. Before practicing law, he had a distinguished career in government. McCormick was nominated by President George Bush, and confirmed by the U.S. Senate, as General Counsel of the U.S. Department of Transportation, where he served under then-Secretary Andrew Card. He also served for more than a decade on the U.S. Senate staff. McCormick was General Counsel of the U.S. Senate Committee on Commerce Science and Transportation in the 99th Congress, and was Republican Chief Counsel and Staff Director of the Committee in the 100th, 101st, and 102nd Congresses. During his tenure, he was responsible for drafting many telecom and transportation laws, and was identified by *Roll Call* magazine as one of the 50 most influential staffers on Capitol Hill.

McCormick holds degrees in journalism and law from the University of Missouri. He has studied international economics and political science at Georgetown University, and has completed the program for senior managers in government at Harvard University's John F. Kennedy School of Government. He is a member of the Board of Directors of Rockhurst University and a member of the District of Columbia Bar, the Missouri Bar and the Federal Communications Bar Association.

Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Walter B. McCormick, Jr.  
Address: 607 14th St. NW, SUITE 400  
Telephone: 202-326-7300  
Organization you represent (if any): UNITED STATES  
TELECOM ASSOCIATION

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: U.S. Dept. of Energy Amount: \$ 150,000

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: \_\_\_\_\_

Signature: 

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.