

**Rural Cellular Association
Lake Tahoe, Nevada
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**Thomas C. Dorr
Under Secretary for Rural Development**

Good morning. It is a distinct pleasure to be with you today. And congratulations to whomever selected Lake Tahoe in October for this conference. That was an inspired choice. This is a beautiful part of the country, and I appreciate the opportunity to join you.

This is a time of transition. I am not a career politician ... I am a lifelong farmer from northwest Iowa who took a temporary job in Washington, D.C. seven years ago. It has been an honor and a privilege for me to lead USDA Rural Development. But there is an election in less than a month, and regardless of who wins, it will be time for me to move along.

But as I look back over the last seven ... now almost eight ... years, the transformation that has occurred, and that is continuing to occur, in rural America is astonishing.

Within USDA Rural Development, we call this transformation the “Rural Renaissance” ... and I do not believe that term is an overstatement.

The Rural Renaissance is both a tangible thing and a complicated thing.

There are many moving parts.

But when all is said and done, I am convinced that the work YOU are doing is perhaps the greatest single underlying factor ... the essential, necessary condition for making it all work. Distributed computing and broadband are transformative. All of us understand that.

You have only to stand, as I have done, in a control room at the University of Tennessee Medical Center in Memphis ... and watch state of the art consultative and diagnostic tools being simultaneously delivered to rural providers from Minnesota to Mississippi and from Colorado to Virginia's Blue Ridge.

Or visit a company like JTV Manufacturing in Sutherland, Iowa ... a town of 700 people in a very rural part of the state.

JTV is a custom metal fabrication shop. It takes orders and specifications over the internet, loads it all into computer controlled machine centers, cuts by laser, and ships out, if requested, overnight for delivery anywhere in the world.

Twenty years ago, that kind of business was barely a gleam in the eyes of visionary engineers. Ten years ago, you might have done it in a handful of major manufacturing centers.

Today you can do it in the middle of Midwestern cornfields ... or anywhere else where an entrepreneur with the skills to put the pieces together has access to a modem and express shipping.

Few parts of this nation are as economically disadvantaged as the Mississippi Delta ... yet nestled in the Delta is the city of Greenwood, Mississippi, the home of Viking Range.

Viking is an international symbol of excellence ... a relatively new company, less than 30 years old ... and yet it is a homegrown product of a rural community of fewer than 20,000 people, linked to the global commons by the internet.

These examples could be multiplied hundreds of times over. I know that each of you could suggest more. You serve companies ... communities ... hospitals ... schools ... and other institutions that are

providing jobs and services across rural America that would have been unthinkable a few short years ago.

The economic map of America is being redrawn, thanks to distributed computing and broadband. The barriers of time and distance are eroding. The limits of the possible are expanding ... and for rural America, this is an historic opportunity.

Deployment of affordable broadband has been, and remains, a commitment for the Bush Administration. And while I cannot speak for the next Administration, I fully expect that commitment to continue.

From 2001 through 2008, USDA Rural Development has provided more than \$7 billion in loans and grants for broadband related investments. The bulk of that funding, over \$5 billion has been through our traditional infrastructure program, in which all facilities are required to be broadband compatible.

In addition, we have made 92 loans totaling over \$1.7 billion through the 2002 Farm Bill broadband program, and more than \$83 million in grants through the Community Connect program.

We are technology neutral. We have funded Wireless ... DSL ... Hybrid-Fiber-Coax ... Fiber to the Premise ... and Broadband over Powerline.

We are provider-neutral. We work with startups as well as incumbent providers, and with both our traditional telephone program borrowers and new entrants to the market.

What we are NOT neutral about is filling the gaps.

Despite the progress we have made, the map of broadband deployment in rural America is still riddled with gaps. We are closing them, but frankly too slowly. We recognize the need to accelerate deployment.

We are willing to adapt. We have to.

When the broadband program was first authorized by the 2002 Farm Bill, the general expectation by Congress ... which we fully shared ... was that our historical experience with rural electrification and the rural telephone bank provided a directly relevant model.

We have learned a great deal since then. Past performance is not a guarantee of future results.

The learning curve was steep, but quick. We now understand that universal deployment of broadband is a different animal.

The historical deployment of electric and voice service occurred under a monopolistic, highly regulated business model with high-cost support mechanisms. They also involved technologies that were so fundamental to modernity that they had essentially a 100% take rate.

None of these factors pertain to rural broadband. Broadband service providers do not receive high-cost, universal service support, so service in low-density, high-cost areas remains a financial challenge.

Broadband providers also compete in a market which already enjoys universal access to dialup, which may be adequate for casual users.

Given the price differential, this further inhibits the take rate.

In addition, the broadband industry is highly competitive. Alternative technologies from alternative providers are in play. These local providers are fiercely protective of their existing markets and typically oppose government-financed competition.

Yet too often, these same providers do not rise to the challenge of extending service to outlying communities surrounding their established service areas. Hence the persistence of gaps in coverage.

These factors add up to a systemic problem. The challenge for rural broadband deployment is finding a sustainable business model that drives demand and provides scalable technology and evolutionary capabilities to meet ever-growing bandwidth requirements.

Our experience suggests that in rural areas, it will often be necessary to leverage the assets and revenue stream from customers in town in order to finance investments in outlying underserved and un-served areas.

Inexorably, if we are serious about filling the gaps, we are driven back to the problem of lending into competition, with all the criticism and challenges that this entails. This problem is not going away.

In an effort to mitigate these issues, USDA Rural Development in May 2007 invited comment on a Proposed Rule addressing the various pressure points that had become apparent. However, that rulemaking process was suspended pending passage of the new Farm Bill, which includes statutory amendments to the broadband program.

We are now working to implement the new statutory language and anticipate publication of a new Rule in the near future. We look forward to your comments at that time and to your active partnership and participation in the years ahead.

Finally, however, I want to emphasize that leadership from the private sector ... and from State and local governments ... is essential.

The situation varies from one community to another. The technologies involved are dynamic. The market is competitive.

Looking to Washington for a one-size-fits-all solution ... and queing up to wait for limited federal resources to become available ... is certainly not the only, nor likely the best, strategy.

There is great scope for creative leadership at the State and local level in developing investment opportunities and forming public/private partnerships for broadband deployment. I am proud of what we have done at USDA Rural Development ... but nowhere is it written that the federal government is the only game in town.

At the federal level, credit reform has given us the ability to leverage significant investment at a relatively modest budgetary cost. We leverage limited budget authority ... the subsidy dollars going out the door ... into much larger program levels. The States can and, in my view, should do the same.

However it is done, the deployment of rural broadband is essential. There can be no retreat from that commitment. Rural America is home to 60 million people. It covers three quarters of the nation's land area.

Affordable broadband is as fundamental to economic opportunity and quality of life today as was rural electrification almost 75 years ago. With your help, we can and we will rise to that challenge. Thank you.