

SEARUC 2005 Annual Conference "Navigating the Waters of Regulation"

Promoting Broadband Deployment in Rural America

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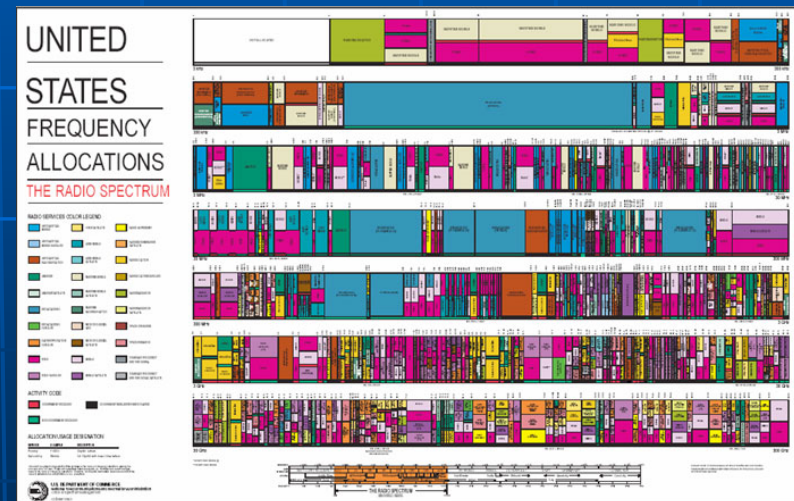


Covington, Kentucky
June 7, 2005



The National Telecommunications and Information Administration (NTIA)

- Principal adviser to the President on telecommunications and information policy issues
- Represent the Executive Branch in international & domestic telecommunications policy activities
- Manage Federal Government use of frequency spectrum
- Perform telecommunications research and engineering for both the Federal Government and the private sector



- BASED ON THE TELECOMMUNICATIONS AUTHORIZATION ACT OF 1992

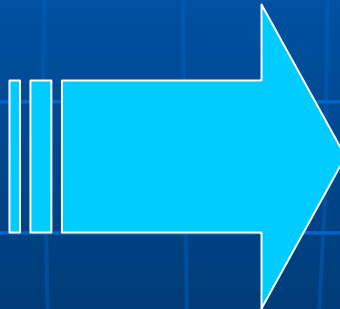
Overarching Goal: Promoting Economic Growth

- Thanks to the President's policies, America's economy is strong:
 - In 2004, the U.S. economy grew at a real GDP rate of 4.4%; compared to GDP growth in Europe of 2.1%.
 - 274,000 new jobs created in April 2005.
 - The economy has shown job growth for 23 straight months and added nearly 3.5 million new jobs – more than Canada, France, Germany, Great Britain, and Japan combined.
 - The U.S. unemployment rate is 5.2% (April 2005), while the unemployment rate in Europe was 8.9% (Dec. 2004).
 - Homeownership rate was 69.1% in the fourth quarter of 2004, just under the record high of 69.2%.
 - Manufacturing activity (ISM index) has been growing for 23 straight months – the longest period of growth in 16 years.

Since the Enactment of the Telecom Act in 1996 America Has Embraced the Future

Then...

Wireless Revenues \$23.6 billion
Wireless Subscribers 44 million
Wireline Households 101 million
E-Commerce Revenue (not measured by DOC prior to 1999)
U.S. Broadband Lines 0



Now

Wireless Revenues \$102.1 billion (2004)
Wireless Subscribers 182.1 million (4/05)
Wireline Households 106.5 million (7/04)
E-Commerce Revenue \$19.2 billion (1Q05)
U.S. Broadband Lines 35.8 million (LRG, 1Q05)

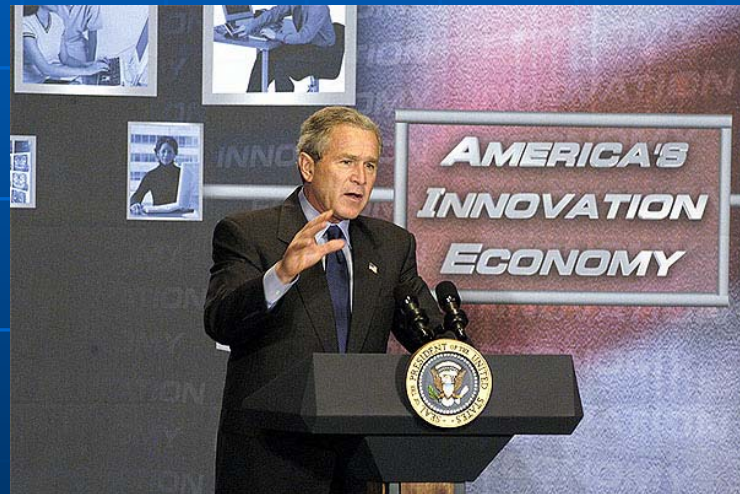
The President's Broadband Goal

Goal

“This country needs a national goal for broadband technology . . . universal, affordable access for broadband technology by 2007.”

— President George W. Bush, Albuquerque, NM, March 26, 2004

- Tele-Medicine
- Distance Learning
- Tele-Work
- National Security
- Jobs and Economic Growth



“[B]roadband will not only help industry, it'll help the quality of life of our citizens.”

— President George W. Bush, US Department of Commerce, June 24, 2004

Creating Economic Conditions For Broadband Deployment

“We ought not to tax access to broadband. If you want something to flourish, don’t tax it.”

– President George W. Bush in Baltimore, Maryland on April 27, 2004

- Tax relief has given businesses powerful incentives to invest in broadband technology
 - Accelerated depreciation for capital-intensive equipment
 - Extension of the Internet tax moratorium to November 1, 2007; support making the moratorium permanent
 - Extension of the research and experimentation tax credit; support making it permanent

Removing the Regulatory Underbrush

“[B]roadband providers have trouble getting across federal lands...that’s why I signed an order to reduce the regulatory red tape for laying fiberoptic cables and putting up transmission towers on federal lands.”

– President George W. Bush, U.S. Department of Commerce, June 24, 2004

Reducing Legacy Regulation of Broadband Services:

- The Administration supports the FCC’s order freeing newly deployed broadband infrastructure from legacy regulation.
- As a result – FOCUS, FTTH Council and TIA announced 5/10/05 that the number of communities with fiber build outs has increased 83% from 217 communities to 398 communities in 43 states. The number of homes passed by fiber grew from 970,000 in October ’04 to 1.6 million in April ’05. Many of the communities are outside the “big cities” – Sylacauga, AL; Lavaca, AR; and South Dungapps, GA – to name a few.

Improving Access to Rights-of-Way:

- On April 26, 2004, the President signed an executive memorandum directing federal agencies to implement recommendations set out by the Federal Rights-of-Way Working Group. They called for improvements in: 1) Information Access and Collection, 2) Timely Processing, 3) Fees and Other Charges, and 4) Compliance.

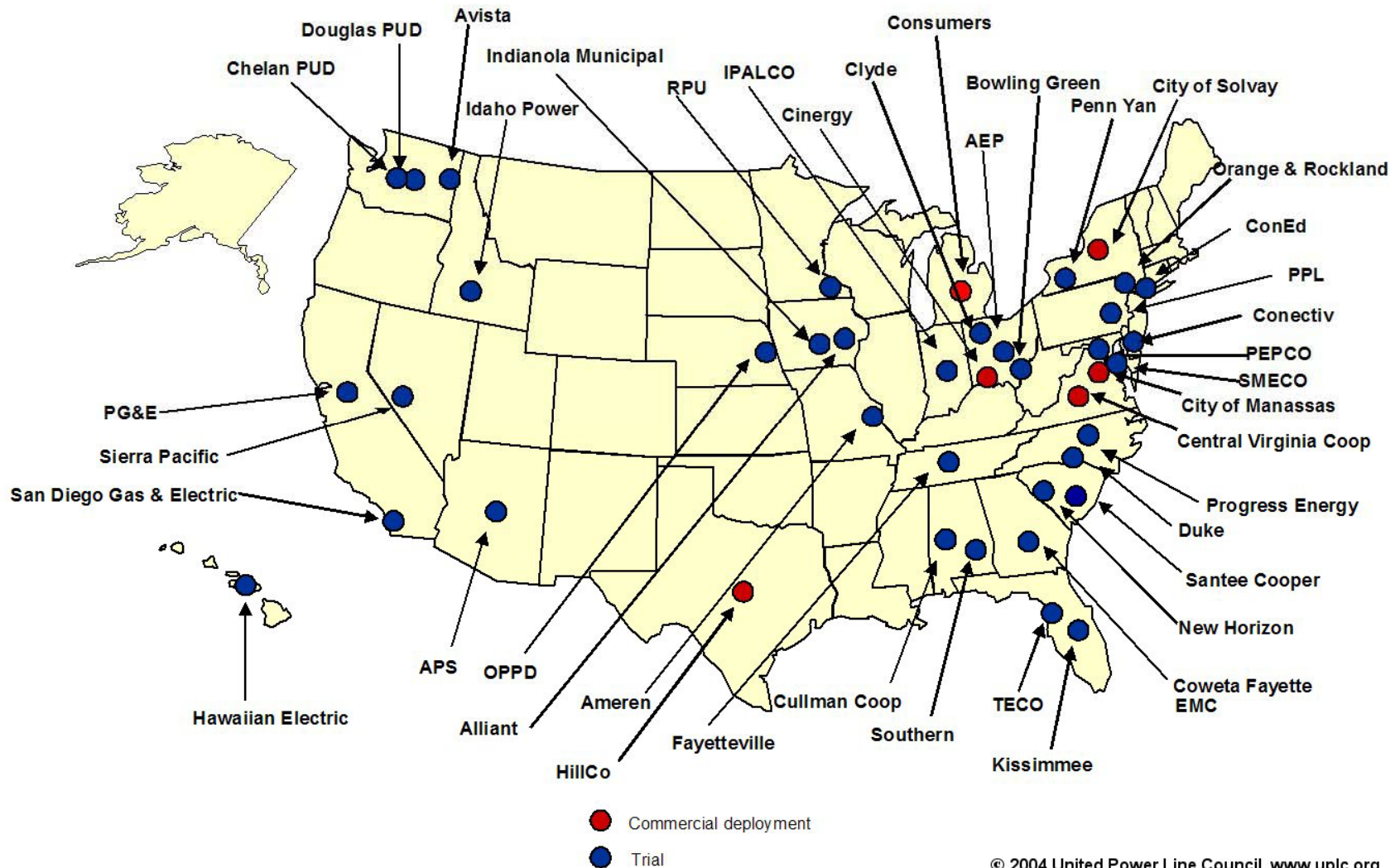
New Technologies Enabling Broadband Deployment

- **Wi-Fi** (802.11) – Wi-Fi NICs (network interface connectors) are readily available for less than \$50, and InStat/MDR predicts that 95% of laptops will have Wi-Fi as a standard feature by 2005.
- **WiMAX** (802.16) – is designed to provide wireless broadband access in a Metropolitan Area Network (MAN). Intel plans to build WiMax into its Centrino chip platforms, which power 80% of all PCs, by 2006.
- **Wireless Mesh Networks** – flexible network structures linking nodes on an ad hoc basis; adaptable to many different applications and markets.
- **Broadband Over Power Lines** – BPL has the potential to emerge as a “third wire” competitor to cable and DSL broadband services.

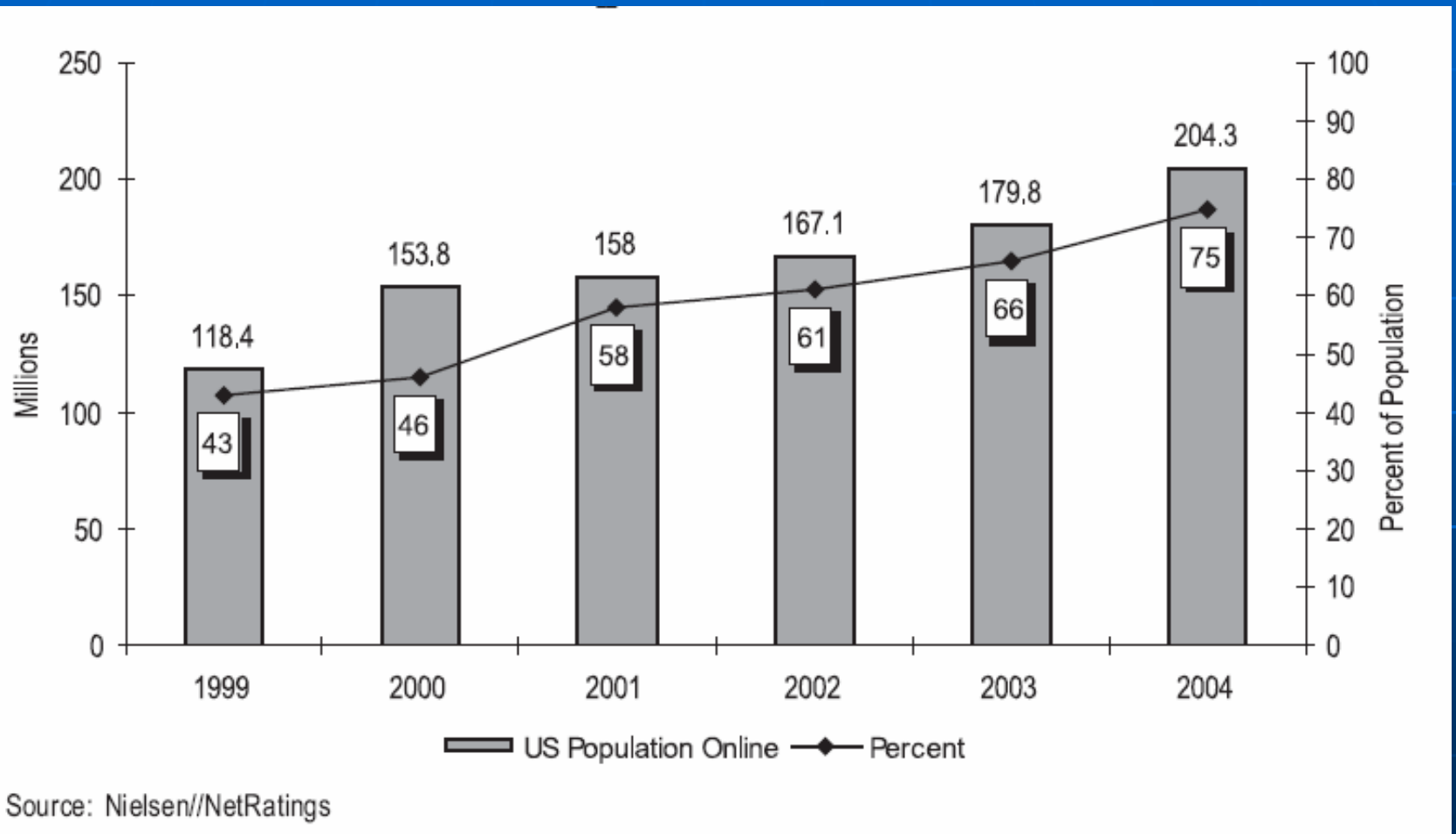


HomePlug Modem
can turn an electrical outlet into an Internet connection.

Broadband Over Power Lines: Current Deployments



U.S. Population Online



Commerce Department's Economic Development Administration (EDA) Supports Technology

- **EDA, the only federal entity with domestic economic development as its sole purpose, provides assistance to rural and urban areas for economic development and revitalization.**
 - EDA manages a \$2 billion portfolio across the country and “invested” more than \$1 billion in federal grants over the past four years.
 - EDA has evolved from a grant-making entity toward a “private sector venture capitalist”, maximizing private sector investment per federal dollar input. Over the past four years, EDA has increased private sector investment from \$9 per EDA \$1 to an average of \$44 per EDA \$1.
 - EDA grants are focused on locally-developed, regionally-based economic development initiatives that achieve high return on taxpayers’ “investment”, create higher-skilled, higher-wage jobs, and directly contribute to economic growth.
- **The President's Strengthening America's Communities Initiative will make better use of taxpayer dollars by consolidating 18 existing federal economic and community development programs, including EDA. The Administration's proposed fiscal year 2006 budget focuses on robust funding for this Initiative. As a result, there are no proposed funds for the EDA grant programs in the 2006 budget.**

EDA Investment in Broadband Deployment

- EDA supports the proliferation of broadband networks as a key priority for regional economic growth.
- Recent examples:
 - A \$1.3 million public works grant in Fitzgerald, Georgia, in 2003 to develop a 212 acre technology business park to help diversify the regional economy.
 - A \$6 million public works grant to Mid-Atlantic Broadband, Inc. of Richmond, Virginia, in 2004, to install approximately 300 miles of fiber optic cable in nine southern Virginia counties and three cities.
- EDA's overall national investment budget is approximately \$224 million for FY05 and EDA grants are highly competitive.
- EDA encourages communities eligible for specific broadband programs, such as those offered by USDA's Rural Utility Service, to access those programs before applying for EDA investment dollars.

U.S. Department of Agriculture's Rural Development/Rural Utilities Service (RUS)

- RUS support broadband development in rural America through several programs:
 - 1) Broadband Loan Program – technology neutral, available to communities up to 20,000 in population, loans are competitively neutral – we can fund the second provider in an area.
 - FY05 has \$2.1 billion available for broadband loan program
 - 132 applications were received totaling \$1.8 billion
 - 38 approved totaling \$680 million
 - 16 in review totaling \$229 million
 - 78 returned as ineligible/incomplete totaling \$942 million
 - 2) “Community Connect” Grant Program – nationally competitive grant program to provide broadband service on a “community-oriented connectivity” basis to the most rural and economically challenged communities.
 - Broadband services must be provided to rural schools, libraries, education centers, health care providers, law enforcement agencies, and public safety organizations.
 - \$8.9 million in grants available this year – the application deadline for FY05 grants was May 31, 2005

Rural Utilities Service (cont'd)

- 3) Distance Learning and Telemedicine Program is designed to encourage and improve educational and health care services in rural areas through the use of telecommunications, computer networks and related advanced technologies.
- Loans: FY05 \$49.6 million available
 - Grants: FY05 \$24.8 million available
 - Assistance is provided through three types of funding: 100% grants, a combination of grants and loans, or 100% loans.
 - The application deadline for FY05 grants was February 1, 2005. (Check back for updates regarding the FY06 grant cycle.)

For more information on RUS grant programs, visit
<http://www.usda.gov/rus/telecom>.

Recent RUS Grants in SEARUC States

Community Connect:

- **Town of Benoit (Benoit, MS)** – The project will bring a wireless broadband system to the Mississippi Delta agricultural community of Benoit which has a population of 611.
 - Grant amount: \$370,508
 - Contact: Bert Nokes, 662-742-3751
 - Congressional District: MS-02
- **Scott County Telephone Cooperative, Inc. (Nickelsville, VA)** – The grant will fund a community center including computers and staff for 2 years.
 - Grant amount: \$586,737
 - Contact: William Franklin, 276-452-7224
 - Congressional District: VA-09

Distance Learning/Telemedicine:

- **Escambia County School District (Brewton, AL)** – The Escambia County School District has sponsored this project to establish the Escambia County Educational Consortium and to convert its LAN network to a WAN network.
 - Grant amount: \$499,869
 - Contact: Jerry L. Weeks, 251-867-9010
 - Congressional District: AL-01

Conclusion

- Broadband deployment in the U.S. is robust.
- President Bush's economic policies have helped to fuel and sustain broadband investment, deployment and competition.
- The President's goal will ensure that all Americans have the personal and economic benefits of high-speed Internet applications and services.