



Committed to the future of rural communities.

Got Broadband?

Building Businesses on Rural Broadband Investments



**For the audio portion of this presentation please visit
<http://www.rurdev.usda.gov/RDAudioArchives.html>**

USDA



Rural Development

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Got Broadband?

Building Businesses on Rural Broadband Investments



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Webinar Agenda

Doug O'Brien, Deputy Under Secretary for Rural Development, USDA

Dallas Tonsager, Under Secretary for Rural Development, USDA

Christopher McLean, Sr. Advisor, Rural Utilities Service, USDA

Judith Canales, Administrator of Rural Business Service, USDA

Matthew Kazmierczak, Senior Vice President, TechAmerica, a leading national technology trade association.

Joe Burmester, CEO, Ruralogic, Rural-based domestic provider of information technology and business process consulting services.

Jim “Griff” Griffith, Sr. Manager of Seller Development, eBay, connecting millions of buyers and sellers across the globe through eBay, PayPal, GSI and other technology-based businesses.

Question and Answer Session



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USDA Rural Development



Dallas Tonsager
Under Secretary
USDA Rural Development

Dallas Tonsager was appointed by President Obama as Under Secretary for Rural Development and sworn into office in May of 2009. Tonsager has over 35 years of agricultural, business, cooperative and financial experience through his work as a farmer, businessman, and community, state and national leader. Rural Development has a nationwide network of employees committed to supporting economic and community development in rural America.

USDA Rural Utilities Service



Christopher A. McLean
Sr. Advisor to the
Administrator
USDA Rural Utilities Service

Christopher A. McLean is a senior advisor to the Administrator of the Rural Utilities Service. He returned to government service in October 2010. Prior to that he was the co-owner of a consulting firm specializing in telecommunications technologies and served as the Executive Director of the Consumer Electronics Retailers Coalition (CERC). The RUS is a policy, planning and lending agency of the United States Department of Agriculture that helps finance rural electric, telecommunications, broadband, water and environmental projects.

USDA Rural Business and Cooperative Service



Judith A. Canales

Administrator

Rural Business and Cooperative Service
U.S. Department of Agriculture
Rural Development

Judith Canales has more than 20 years of experience working in federal and local government administrations and nonprofit management. She received her second presidential appointment in 2009 when President Barack Obama named her the first Hispanic woman to serve as the Administrator for the Rural Business and Cooperative Service (RBS) agency of the Department of Agriculture (USDA) Rural Development.

Ms. Canales is responsible for overseeing the agency's portfolio and is deeply involved in providing financing to small businesses and cooperatives throughout rural America. Ms. Canales also specializes in rural and urban development, community development, economic development, and housing.



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Business and Cooperative Programs

Rural Business Service (RBS) is committed to the future of rural communities. We help promote a dynamic and collaborative business environment throughout rural America through our Business and Cooperative Programs.

Business Programs - works in partnership with private sector and the community-based organizations to improve the economic conditions in rural communities by providing direct and guaranteed loans and grants for projects that help create and save jobs and promote clean rural environments. Recipients include individuals, corporations, public and private companies, cooperatives, Indian tribes, and nonprofit organizations. For more information, please visit our [website](#).

Cooperative Programs - promotes the use of the cooperative form of business as a viable option for marketing and distributing agricultural products. Our programs serve cooperative members, directors, management, educational institutions, organizations, rural residents, and all others with an interest in the cooperative form of business. For more information, please visit our [website](#).

- From FY 2009 through 2011 YTD, RBS obligated over \$6.95 billion, provided 12,214 direct and guaranteed loans and grants, assisted 50,082 businesses, and helped create or save 266,082 jobs.



Business and Cooperative Programs

Business Programs

- Business and Industry Guaranteed Loan (B&I)
- Rural Business Enterprise Grant (RBEG)
- Intermediary Relending Program (IRP)
- Rural Microentrepreneur Assistance Program (RMAP)
- Rural Economic Development Loan/Grant Program (REDLG)
- Rural Energy for America (REAP) and Bioenergy Programs



- From FY 2009 through 2011 YTD, Business Programs obligated over \$6.89 billion, provided 11,762 loans and grants, assisted 49,018 businesses, and helped create or save 263,516 jobs.

Cooperative Programs

- Value-Added Producer Grant (VAPG)
- Small Socially-Disadvantaged Producer Grant (SSDPG)
- Rural Cooperative Development Grants (RCDG)
- Rural Business Opportunity Grants (RBOG)
- 1890 Land-Grant Institutions Rural Entrepreneurial Outreach and Development Initiative



- From FY 2009 through 2011 YTD, Cooperative Programs obligated over \$58.4 million, provided 452 loans and grants, assisted 1,045 businesses, and helped create or save 2,566 jobs.



RBS Broadband Success Stories

Recipient: Ecotrust
Location: Portland, Oregon
Program: Rural Business Opportunity Grant
Grant Amount: \$249,340



Project Description:

In 2010, Ecotrust of Portland, Oregon, used their \$249,340 Rural Business Opportunity Grant (RBOG) to recruit food producers and buyers to join their [FoodHub](#) internet website – an online directory and marketplace that connects regional farmers, grocers, restaurants, and wholesales so they can easily find each other, connect and do business.

The FoodHub website helps agricultural producers tap into the growing local foods market by shortening the supply chain between producers, sellers, and consumers. The RBOG will also be used to provide training and assistance to businesses that want to sell through the website.

In June 2010, 550 companies used FoodHub. Today, over 2,900 businesses in Oregon, Washington, Idaho, Montana, and California use FoodHub to market their products.



RBS Broadband Success Stories

Recipient: Tree Corners Family Campground, LLC.
Location: Irasburg, Vermont
Program: Intermediary Relending Program
and Rural Business Enterprise Grant
Grant Amount: \$87,000 (IRP) and \$1,660 (RBEG)



Project Description:

[Tree Corners Family Campground](#), a start-up family business located in Irasburg, Vermont, wanted to finance the construction of a bath house, recreation hall, swimming pool, sewer system, and electrical systems on their 38 acres facility.

In 2004, the company received \$87,000 in Intermediary Relending Program (IRP) financing through the Northern Community Investment Corporation. The following year, they received a \$1,660 Rural Business Enterprise Grant (RBEG), through the Vermont Community Loan Fund, to create a website. Soon thereafter, Tree Corners Family Campground became the first WiFi hotspots in the area.

Today, visitors at the 131 site campground stay connected to the outside world by way of a wireless high speed internet connection right at the campsite.



RBS Broadband Success Stories

Recipient: Montana Wagyu Cattle Company

Location: Belgrade, Montana

Program: Value Added Producer Grant

Grant Amount: \$49,900



Project Description:

The [Montana Wagyu Cattle Company](#) is a family-owned and operated business that raises cattle that provide USDA Grade-A beef and specialty beef products to restaurants, stores, and consumers throughout the region. In 2009, the company used their \$49,900 Value Added Producer Grant (VAPG) to grow and expand their business by selling products over the internet.

Today, the company sells and ships custom-ordered cuts of beef (steaks, roasts, and specialty cuts) to consumers and businesses all over the United States.



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RBS Broadband Success Stories

Recipient:	Allo Communications, LLC
Location:	Nebraska
Program:	Business and Industry Loan Guarantee
Loan Guarantee:	\$5.7 million (90 percent guarantee) \$1.07 million (70 percent guarantee)
Outcome:	25 jobs created, 5 jobs saved



Project Description:

[Allo Communications, LLC](#), based in Imperial, Nebraska, is a facilities-based, local exchange carrier that offers local, long-distance, and broadband data services. Allo needed to restructure its existing debt and purchase additional equipment to expand services in Scottsbluff, Gering, Alliance, and Ogallala. Their network is a fiber-to-the-premises design that covers 85 percent of the businesses and governmental entities in these towns and provides 100 Mbps of bandwidth to each location.

In 2010, Allo received assistance from the USDA Rural Development's Business and Industry (B&I) loan guarantee program, which provided Adams Bank & Trust with a 90 percent guarantee on a \$5.7 million loan. A subsequent loan guarantee of \$1.07 million, with a 70 percent guarantee, was provided for additional expansion.



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RBS Broadband Success Stories

- Recipient:** People of American Samoa
Location: Tafuna, American Samoa
Program: Business & Industry Guaranteed Loan
Partners: Department of the Interior and American Samoa Government
Investment: \$16,672,000 Guaranteed Loan



In FY 2010, RBS approved a \$16,672,000 Business and Industry (B&I) loan guarantee for a broadband project in American Samoa. The funding allowed the American Samoa Government and partnering businesses to relocate the existing Pac-Rim East undersea fiber optic cable between American Samoa and Hawaii. The project increased the telecommunications capacity on American Samoa by providing high speed internet and broadband service to the tiny country.

The American Samoa Government and the U.S. Department of Interior considered this project to be an important economic development initiative that will result in private sector job creation and economic diversity for American Samoa. The new equipment will also help American Samoa develop their telecommunication environment to support health, education, and business development.



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RBS Broadband Success Stories

Recipient: Hopi and Navajo Tribes Communities
Location: Arizona
Program: USDA Broadband Initiative and
Loan/Grant: \$3,634,903



Project Description:

In November 2010, the Hopi Tribe and Hopi Telecommunications, Inc. received a \$3,634,903 loan/grant combination for a broadband project that will run fiber optics over a 61-mile tribal land area from Holbrook to Jeddito, Arizona. Portions of the Navajo Nation will also be affected. Project funds came through the American Recovery and Reinvestment Act (ARRA).

Cultural centers, hospitals, police stations, schools, courts, and tribal offices—all in all, 22 facilities on the Hopi Reservation alone—will benefit from the faster broadband connections, improving service delivery to the area's residents.

The project will create jobs up-front, and more than 7,000 people stand to benefit from the new or improved service, as well as dozens of businesses and 20 community organizations.



USDA Rural Business and Cooperative Service

How do I apply?

For more information on Rural Business Service loan guarantee, direct loan, and grant programs, please contact your [Rural Development State Office](#).



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Low Cost Domestic Sourcing

Opportunities for Small Towns and Rural America

Matthew Kazmierczak
TechAmerica
Foundation

For

USDA Rural Development





- **What is LCD Sourcing?**
- Drivers of LCD Sourcing
- How Do You Choose a Location?





What is LCD Outsourcing?

Ruralsourcing

Ruralshoring

Onshoring

Homesourcing

Inshoring

Homeshoring

Farmshoring

Outsourcing (or Insourcing) to lower cost metropolitan or rural areas that can provide significant benefits over Tier 1 metropolitan cities or offshoring.



Is LCD Sourcing Really New?

Yes, somewhat...

- Prior to global sourcing or offshoring, companies outsourced primarily for skills, capabilities & risk reduction
- When global sourcing took off, domestic outsourcing companies employed one of the following strategies:
 - Developed an offshore option for their clients by building own offshore operation or partnering/merging with an offshore entity
 - Focused on niche high end skills or onsite required staff augmentation
 - Focused on regulated industries that put barriers to offshoring: government, defense, healthcare, etc.
- Domestic companies did not reinvent themselves to achieve low-cost objective from home



Who is Doing It?

COMPANY	LOCATION	FUNCTION	JOB CREATION	GOV INCENTIVES
GE	Ann Arbor, MI	Advanced Manufacturing & Software Technology Center	1,200	\$74M
IBM	Dubuque, IO	Technology Services Delivery Center	1,300	\$53M
HP	Conway, AK Rio Rancho, NM	Services & Support	1,200 1,200	\$40M \$36-\$46m
Systems in Motion	Ann Arbor, MI	ITO Services	1,000	\$9M
Dow Chemical & TCS	Midland, MI	Business Services	1,250	NA



- What is LCD Sourcing?
- **Drivers of LCD Sourcing**
- How Do You Choose a Location?





Traditional Drivers for LCD Sourcing

Negatives of Offshoring

- Dissatisfaction
 - Quality & Productivity
 - Communication & Cultural issues
- Rising Costs Offshore
 - Wage Rates
 - Real Estate & Infrastructure
- Exchange Rate Fluctuation
 - Particularly deflation of the US Dollar against many Asian currencies 2006-2008

Economic Downturns

- 2001/2002 .COM Bust
 - 1st major wave of knowledge jobs leaving the U.S.
 - 2004 Election capitalized on fear
- 2009 Recession
 - More “real” fear
 - More proactive/positive approach



Today's Drivers of LCD Outsourcing

General Economic Environment

- High Unemployment
- Wage Deflation
- Concern over fundamental shifts in American competitiveness

LCD Outsourcing Drivers

Economic Impact on Business

- Fewer & smaller projects
- Reduced travel
- Reduced investment

Changing Business Dynamics

- Reduced product life cycles, tighter turnaround times
- Focus on cost reduction
- New IT options (cloud, SAAS, freeware)
- New Risks

Benefits of LCD Outsourcing



Lower Cost

- Lower Wage Rates from Tier 1 U.S. cities
- Significantly less travel and communication costs than offshore
- Higher % of FTE can be offsite than offshore
- Lower Management/PMO/Risk Management Costs
- Tax Advantages
- Stable wages
- Stable or Declining Costs
- Increased Productivity
- Lower Turnover Rates

Ease of Doing Business

- Cultural and Language Affinity
- Geographic Proximity
- Time Zone Advantage

Benefits of LCD Outsourcing



Speed to Market

- Business to IT Alignment
- Proximity, leading to better feedback loops
- Understanding of U.S. Business requirements, etc.

Less Risk

- Regulatory/ Compliance
- Legal
- Political
- Vendor
- PR

Business Development Opportunities

- Government contracts
- Businesses looking for domestic options

Agenda

- What is LCD Sourcing?
- Drivers of LCD Sourcing
- **How Do You Choose a Location?**



LCD Location Selection Criteria



Cost of Doing Business



- Labor Rates
- Real Estate Costs
- Infrastructure Costs
- State & Local Taxes
- Economic Incentives
- Airport Access
- State Debt
- Federal Funding Support

Workforce



- Nearby Colleges & Universities
- Stability of Future Workforce
- Skill Sets of Knowledge Workforce
- Net Migration Potential
- Population/Scale
- Current Resource Availability
- Labor Supply Competition

Business & Political Environment



- Business/Government/College Consortium
- Political Support
- Labor Laws
- Technology & Vendor Ecosystem

Quality of Life



- Cost of Living
- Housing
- Commute
- Crime Rates
- K-12 Schools
- Climate & Geography
- Arts & Recreation

Key Takeaways

1. Low Cost Domestic Sourcing is not a fad...there are sustainable benefits
2. Size Matters
 - Companies still need to assess if LCD is right for them in the context of global sourcing
3. People, People, People
 - Cost
 - Sustainable skilled labor pool is key to selection
 - Economic incentives of state & local governments can make a difference

Upcoming Events

LCD Webinar Series

- **Successful Low Cost Domestic Sourcing: Stories from the Trenches**
January 12, 2012
- **Rural Sourcing: The Programs and Incentives That Matter**
February 1 or 2, 2012
- **Incorporating US Domestic Locations into Your Global Outsourcing Delivery Strategy**
March 2012

To register for these events, visit www.techamericafoundation.org

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USDA Build on Broadband

Joe Burmester

14 December 2011

Overview

- Background leading to development of Rurallogic
- How we did it
- Key elements to leverage our success
- Current status
- Plans for expansion and critical requirements

Environment in 2009: Market Opportunity

- IT outsourcing from USA: \$85 billion annually and growing
- Frustration with international outsourcing
- High unemployment in USA

Issues with International Outsourcing

- Cost objectives often not achieved
- Communication issues at many levels
- Client satisfaction issues
- High attrition:
 - Leads to higher costs
 - Impairs ability to complete projects on schedule
- Management overhead adds frustration

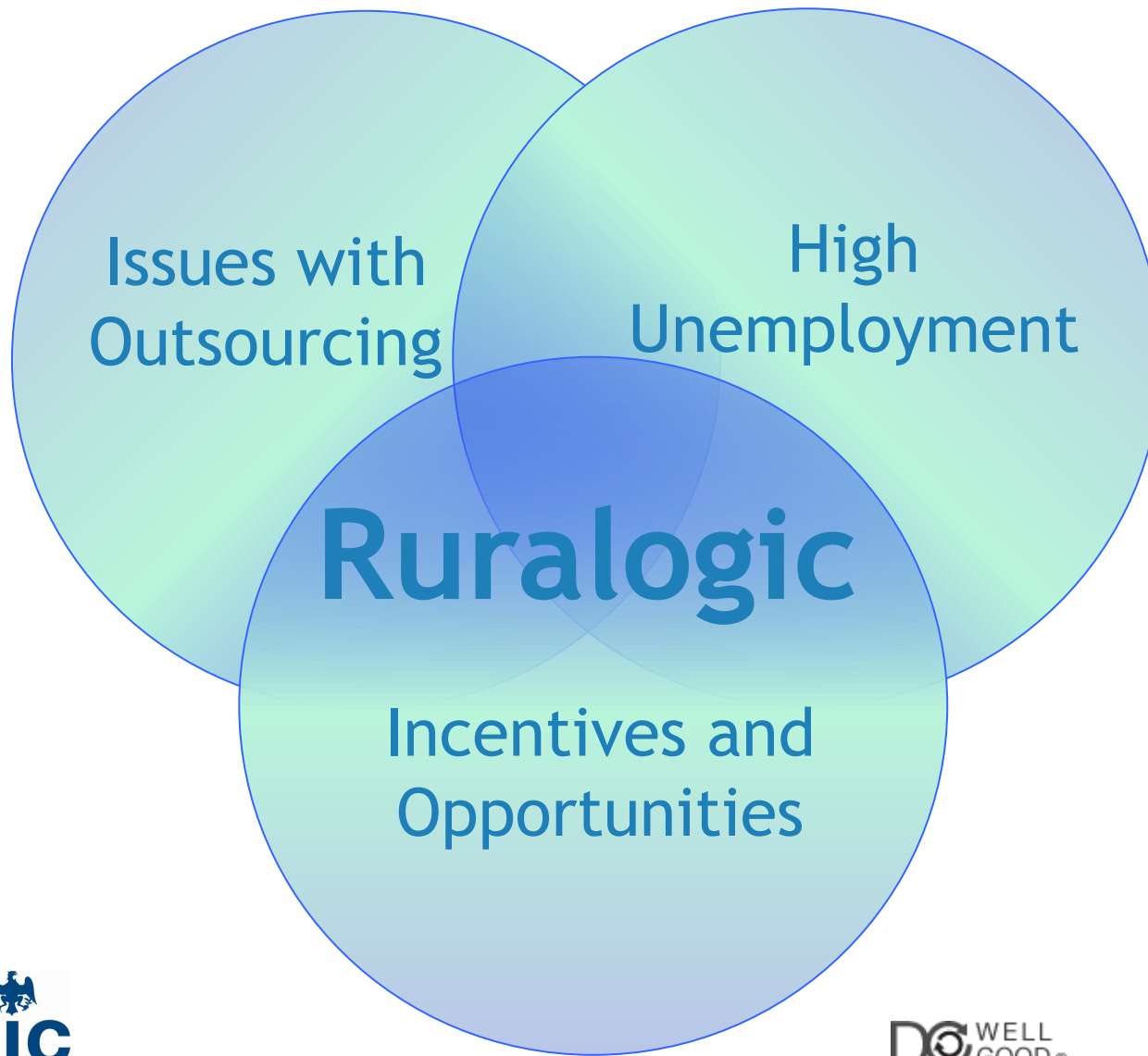
High Unemployment

- Unemployment persisting at current levels
- In rural areas:
 - Fewer alternatives for employment
 - Difficult choices for families
 - Generational “brain drain”
- Unemployment has led to:
 - Devastated communities
 - Tax revenue reductions
 - Despair
- Finally, a realization that the past won’t return

Incentives and Opportunities

- Collective consciousness to explore new approaches
- Local, state and Federal incentives to build jobs
- Market willingness to consider outsourcing alternatives
- Rural areas with the appropriate environments

Birth of the Ruralologic Concept



The Business Model

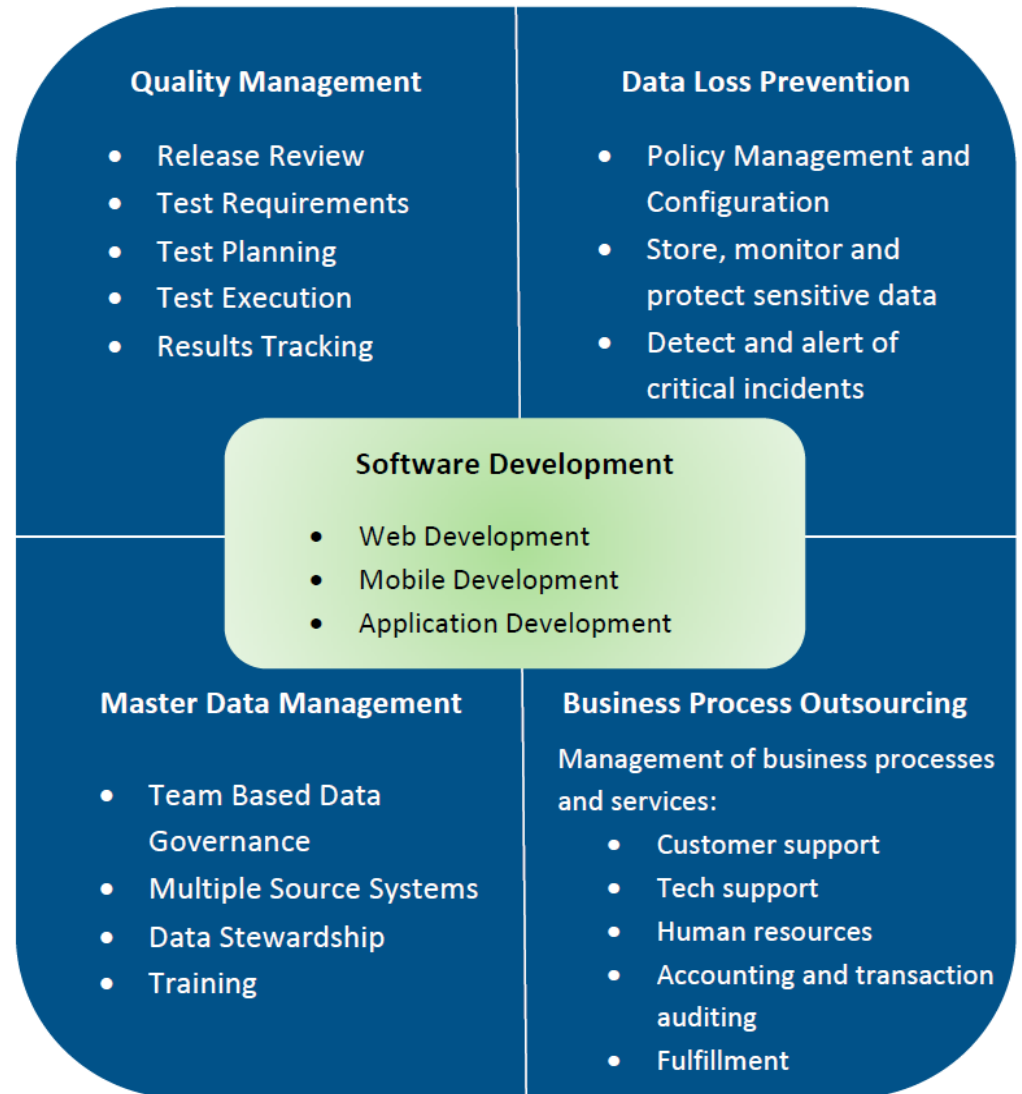
- Low-cost areas with appropriate resources:
 - Support for significant use of technology
 - Available, capable and willing workforce
 - Low cost infrastructure
 - Financial working capital and incentives
 - Local private sector “champion”
 - Supportive political environment
 - Anchor clients to jump-start business units
- Establish partnerships with local and national training providers to retrain workers
- Repatriate jobs lost to international outsourcing to fulfill client contracts

Current Status

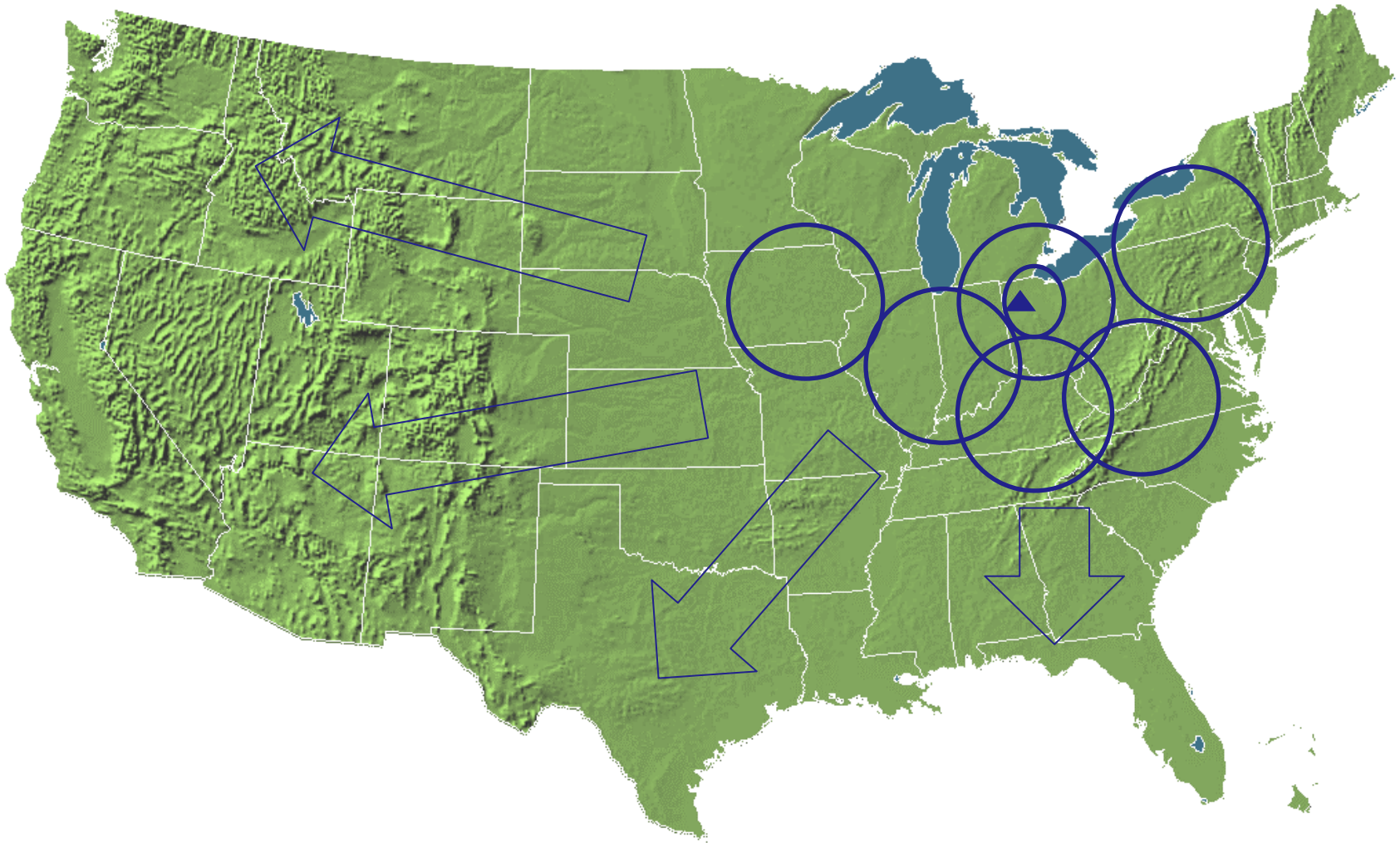
- Initial facilities in rural Ohio
- Partnership with community colleges
- Growth to near 100 people in first year
- Initial direct clients and partnership channels established:
 - Fortune 1000
 - Local SMB enterprises
 - Channel with consulting, software and IT services companies
- Positioned for expansion

Rurallogic Market Driven Service Offerings

- IT development services
 - Partner channel
 - Direct clients
- Business process services
 - Labor intensive
 - Leveraged with IP
- Managed services
- Support services



Controlled/Rapid Growth Approach



Strategies

- Continue private-public collaboration:
 - Federal:
 - Department of Agriculture
 - Department of Labor
 - Department of Commerce
 - Small Business Administration
 - State and local entities
- Establish additional funding sources
- Expand training partnerships
- Expand partnership delivery channels
- Engage Fortune 100 clients

Major Benefits and Objectives

- Create minimum of 250 jobs within 5 years for each geographical location
- Build USA organization to 10,000 people
- Re-energize and diversify local communities
- Provide career opportunities for the next generation
- Do well and do good

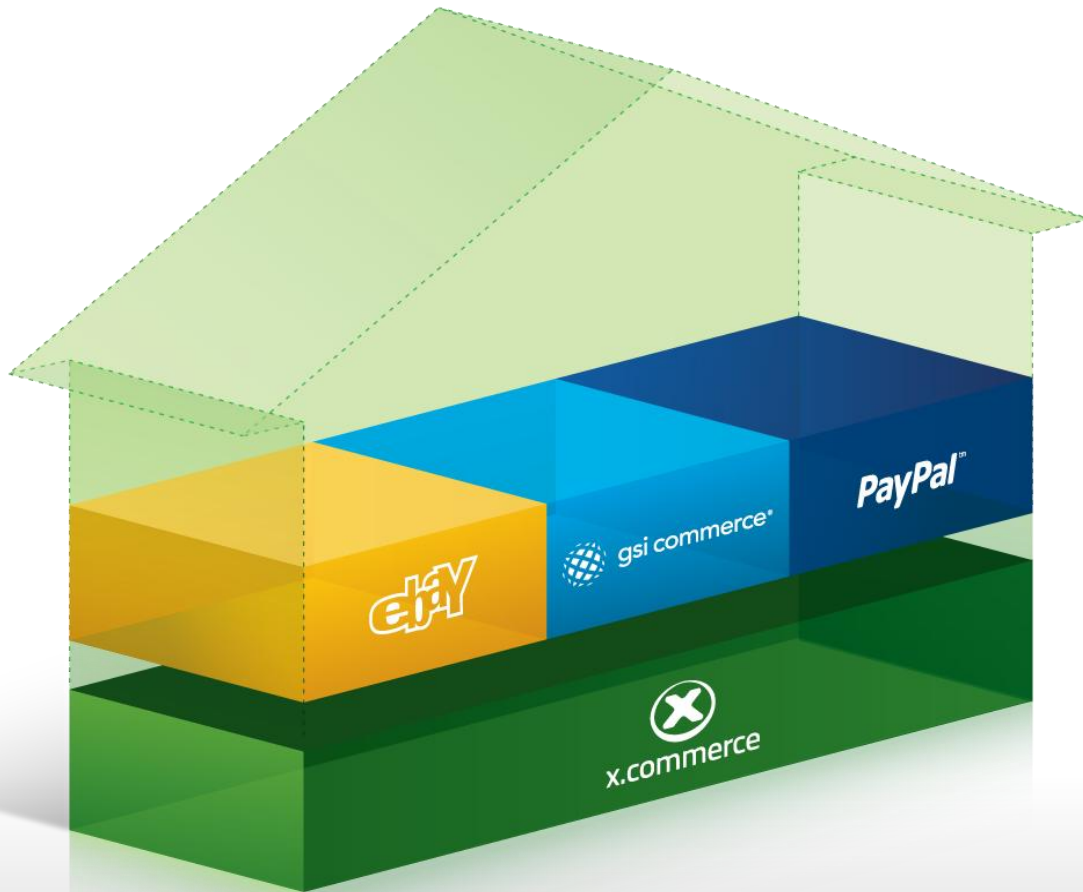
www.rurallogic.com



**Building Businesses on Rural Broadband Investments
December 14, 2011**

**Jim "Griff" Griffith
Senior Manager of Seller Development, eBay Inc.**

eBay Inc. enables commerce



Enabling
CONSUMERS
to buy anything,
anywhere, any how

Enabling
MERCHANTS
to succeed in a
new commerce
environment





97+M

active customers

The world's largest engine for reuse

\$100B+

in used items

traded since 1998



90%

of U.S. small
businesses on eBay
export globally



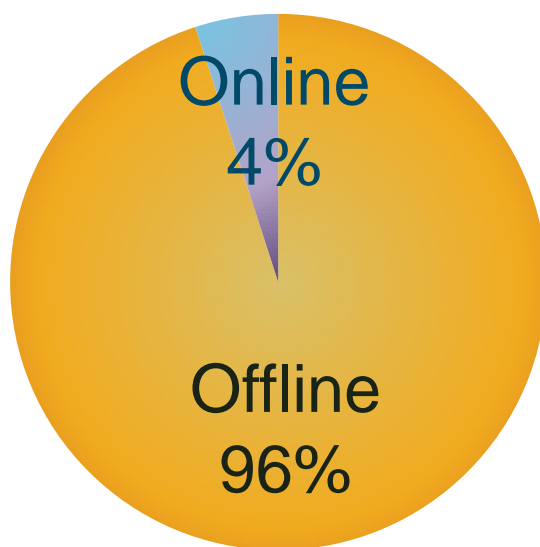
\$62B

in all goods sold on the
site worldwide in 2010



Taking the "E" Out of Ecommerce

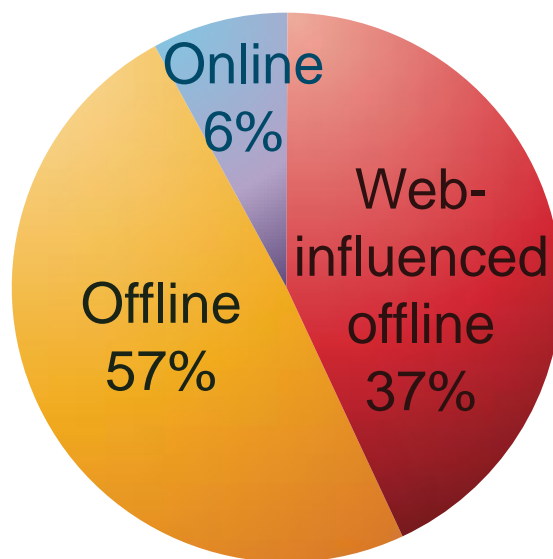
Yesterday



2008 = \$325B

Source: Forrester, Euromonitor and Economist Intelligence Unit

Today



Source: Forrester

Tomorrow



2013 = \$10T

Source: Economist Intelligence Unit




Broadband = Economic Development



Source: <http://texasenterprise.org/article/bridging-digital-divide-part-1>

eBay-Based Entrepreneurs are Across America



**Top Sellers Across America
and in every State**



eBay in Rural America

eBay Inc.

97 million active users globally

Unique technology assets & online operating experience



Top sellers living in rural America did over \$2.9 billion in total sales on eBay in 2011.



Getting Started on eBay

START YOUR ENGINE

Register on eBay

- ✓ eBay offers instant internet presence along with tools to facilitate payments, manage inventory and reach a global customer base – all in a way that meets individual seller needs.

EXPLORE THE SITE

Size up the competition, determine your format, learn the rules of the road.

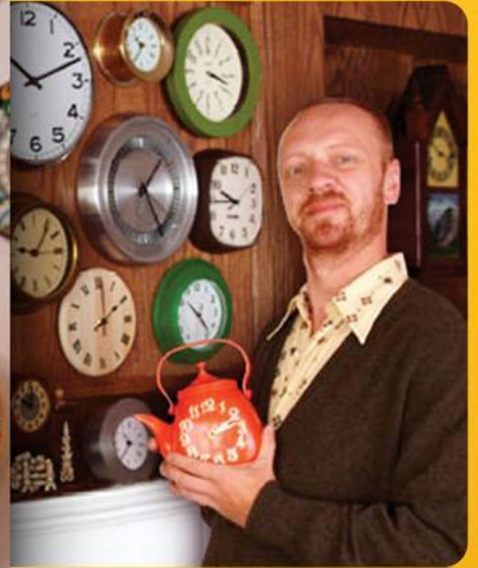
- ✓ eBay provides seller resources like a seller information center, shipping tips, and best practices.

RACE TO THE FINISH

Create listings that sell, master shipping, and become a top-rated seller.

- ✓ eBay provides tools to help you track your success.





THE

ebay

STORY

marketplace

Thank You



USDA Broadband Webinar

Questions?



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