



OPASTCO

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March 17, 2008

The Honorable Rosa DeLauro, Chair
Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies
Committee on Appropriations
Attention: Public Witness Testimony for the Record
2362-A Rayburn House Office Building
United States House of Representatives
Washington, DC 20515-6016

Re: FY 2009 Appropriations for
Telecommunications Programs
Administered by the Rural Utilities Service

Dear Chairwoman DeLauro:

Attached is a written statement of the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) supporting funding for the telecommunications programs administered by the Rural Utilities Service. We respectfully request that the statement be given due consideration and placed in the Subcommittee's record. OPASTCO does not receive any Federal grants and is not performing under any Federal contract.

Sincerely,

/s/ Stuart Polikoff
Stuart Polikoff
Director of Government Relations

Written Statement of
**THE ORGANIZATION FOR THE PROMOTION AND
ADVANCEMENT OF SMALL TELECOMMUNICATIONS COMPANIES**

Before the
Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies
Committee on Appropriations
United States House of Representatives

Addressing
Telecommunications Programs
Administered by the Rural Utilities Service
U.S. Department of Agriculture

March 17, 2008

SUMMARY OF REQUEST

The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) seeks the Subcommittee's support for FY 2009 loan levels for the telecommunications loans program administered by the Rural Utilities Service (RUS) in the following amounts:

Telecommunication hardship loans:	\$145 million
Treasury telecommunications (cost of money) loans:	\$250 million
FFB telecommunications (guaranteed) loans:	\$300 million

In addition, OPASTCO requests that the distance learning, telemedicine, and broadband program be funded at sufficient levels.

OPASTCO is a national trade association of more than 600 small telecommunications carriers serving rural areas of the United States. Its members, which include both commercial companies and cooperatives, together serve over 5.5 million customers in 47 states.

Perhaps at no time since the inception of the RUS (formerly the REA) has the telecommunications loans program been so vital to the future of rural America. The telecommunications industry is at a crossroads, both in terms of technology and public policy. Rapid advances in telecommunications technology in recent years are delivering on the promise of a new “information age.” Both federal and state policymakers have made ubiquitous availability of advanced communications services a top priority. However, without continued support of RUS’s telecommunications loans program, rural telecommunications carriers will be hard pressed to continue deploying the infrastructure necessary to achieve policymakers’ goals.

Contrary to the belief of some critics, RUS’s job is not finished. Actually, in a sense, it has just begun. We have entered a time when advanced services and technology -- such as fiber optics, packet switching and transmission, and digital subscriber line (DSL) technology -- are expected by customers in all areas of the country, both urban and rural. Moreover, the ability of consumers to use increasingly popular voice over Internet protocol (VoIP) services requires that they first have a broadband connection from a facilities-based carrier. Unfortunately, the inherently higher costs of upgrading the rural wireline network, both for voice and data communications, has not abated.

Rural telecommunications continues to be more capital intensive and involves fewer paying customers per square mile than its urban counterpart. In the Federal Communications Commission’s (FCC) September 2004 report on the deployment of advanced telecommunications capability, the Commission noted that “[r]ural areas are typically characterized by sparse and disperse populations, great distances between the customer and the service provider, and difficult terrain. These factors present a unique set of difficulties for providers attempting to deploy broadband services.” More recently, the FCC’s October 2007 release of statistics on high-speed connections to the Internet in the United States illustrated that low population density has an inverse association with reports that high-speed subscribers are present in an area. Thus, in order for rural telecommunications carriers to continue modernizing their networks and providing consumers with advanced services at reasonable rates, they must have access to reliable low-cost financing.

The relative isolation of rural areas increases the value of telecommunications for these citizens. For example, the availability of broadband connections can make it possible for rural residents to telecommute to otherwise far-away jobs. A modern telecommunications infrastructure can also enable existing businesses in rural areas to grow and expand as well as attract new businesses to the area. Certainly, telecommunications plays a major role in any rural community’s economic development strategy.

It is important to note that even after a broadband-capable network has initially been deployed in a rural area, the modernization effort is not over. Continual investment is crucial, because the broadband networks that are deployed today are not the networks that will enable rural areas and the rest of the country to compete globally five years from now. Broadband is an evolving concept, subject to constant changes in technology and consumer expectations. As the services and applications that ride over the broadband infrastructure become more bandwidth intensive, carriers will need to expand their broadband network capabilities in order to make these new tools available to the businesses and residences in their areas. The evolving nature of broadband requires continual investment, and the telecommunications loans program will enable rural telecommunications carriers to do so.

While it has been said many times before, it bears repeating that RUS's telecommunications loans program is not a grant program. The funds loaned by RUS are used to leverage substantial private capital, creating public/private partnerships. For a very small cost, the government is encouraging tremendous amounts of private investment in rural telecommunications infrastructure. Most importantly, the program is tremendously successful. Borrowers actually build the infrastructure and the government is reimbursed with interest.

In addition to RUS's telecommunications loans program, OPASTCO supports sufficient funding of the distance learning, telemedicine, and broadband program. Through distance learning, rural students gain access to advanced classes which will help them prepare for college and jobs of the future. Telemedicine provides rural residents with access to specialized health care services without traveling great distances to urban hospitals. Furthermore, funding that is targeted to finance the installation of broadband transmission capacity will allow more rural communities to gain high-speed access to the Internet and receive other advanced services. In light of the Telecommunications Act's purpose of encouraging deployment of advanced technologies and services to all Americans -- including schools and health care providers -- sufficient targeted funding for these purposes is essential in FY 2009.

CONCLUSION

The transformation of the nationwide telecommunications network into an information superhighway, as envisioned by policymakers, will help rural America survive and prosper in any market -- whether local, regional, national, or global. However, without the availability of low-cost RUS funds, building and upgrading the information superhighway in communities that are isolated and thinly populated will be untenable. By supporting the RUS telecommunications programs at the requested levels, the Subcommittee will be making a significant contribution to the future of rural America.

For additional information, please contact Randy Tyree or Stuart Polikoff at (202) 659-5990.