

**STATEMENT OF STEVE DAVIS
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**BEFORE THE
UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
“STATE OF RURAL COMMUNICATIONS”
APRIL 9, 2013**

Good morning Mr. Chairman and Members of the Committee. My name is Steve Davis, and I am Executive Vice President for Public Policy and Government Relations for CenturyLink. CenturyLink offers communications services to over 14 million homes and businesses in all 50 States and select international markets. Our services include voice, broadband, video entertainment and data, as well as fiber backhaul, cloud computing and managed security solutions.

We appreciate your leadership in calling today’s hearing on “The State of Rural Communications.” In our view, the central issue in rural communications is the availability of broadband access and the challenge of bringing it to markets with low population densities and often challenging terrain. In the 21st Century economy, being connected has become an integral part of nearly everything we do, in work, education, medicine, agriculture and numerous other pursuits. And for rural communities seeking economic development, a robust broadband infrastructure is often a prerequisite before any business, large or small, will consider moving to that area.

CenturyLink's local service territory encompasses 37 states, with a handful of major urban areas, numerous smaller cities and towns, vast plains of rural agricultural communities, national parks and forests, tribal lands, mountainous and desert regions, and areas with a great number of lakes. In other words, our service footprint is representative of the various markets in your respective states. CenturyLink serves thousands of rural communities, often with household densities below 15 people per square mile, many of which do not have access to any other provider of voice or terrestrial broadband. By comparison, the population of the greater Washington DC metropolitan area is about 13,000 people per square mile.

Over the past five years, under the current system of Universal Service and intercarrier compensation, CenturyLink has invested more than \$4 billion of its own capital to bring broadband access to every corner of our service territory where it is economically feasible. And despite the rural nature of our markets, we are making high speed Internet service available to more than 91 percent of the homes and businesses in our local service areas. This includes many places where CenturyLink is the only terrestrial broadband provider and where, without such support, the investment would not be sustainable.

America is a vast country, however, and there are many far-flung places, away from town centers and spread over challenging terrain, where the cost of investment is too great and terrestrial broadband availability simply won't be feasible under today's system. According to the Federal Communications Commission (FCC), nearly 18 million consumers in rural areas still do not have access to broadband and, as such, aren't even at the table in today's digital economy.

This is a scope and scale problem that can be largely addressed through targeted investments to areas where the greatest opportunities lie to reach hundreds of thousands of Americans as quickly as possible. CenturyLink and other large rural providers have the opportunity to reach nearly 80 percent of those who do not have broadband today. In addition, the fiber-fed broadband we deploy is important to the provision of both fixed and mobile broadband services. Wireless broadband is generally provided today with fiber connections to the towers that communicate with handsets.

In the last several years, federal policies have sought to address these challenges in a number of ways, through the FCC's National Broadband Plan, various policies to eliminate barriers to deployment, and the USF/ICC Transformation Order. Broadband availability has definitely increased, but more must be done. As the FCC and rural providers of every stripe have worked together, several guiding principles that have emerged over time:

- We must target support on a granular basis, to places where market forces would not otherwise make it available.
- We must ensure that support goes only to those uneconomic places and where there is not an unsubsidized competitor providing adequate service.
- We must ensure that supported services are reasonably equivalent to those available in urban markets, in features, quality and price.
- We must match support and obligations to serve—obligations cannot exceed the available support and they should be limited to the supported areas.

In the near term, the challenge is to keep reaching unserved households and bring more consumers and communities into the broadband economy. A critical feature of the FCC's broadband deployment plan is the interim support component of the Connect America Fund (frequently referred to as CAF I). This fund is intended to jumpstart the unserved deployment process by allocating approximately \$300 million annually to the deployment of broadband services in high cost, unserved areas. These funds have already been collected from customers, as directed by the FCC.

Unfortunately, only a small portion of these CAF I funds have been allocated for use. Specifically, only \$115 million of the \$600 million targeted for unserved markets has been accepted for deployment in the field. The states and local markets that will benefit from this funding are eager to see the release and use of these CAF I funds to build broadband networks and take part in the services that will be provided. With spring's arrival, the time for providers to build networks is now. Most of us in this room know there are hundreds of thousands of consumers who are still unserved, and are eager to be connected.

Unsurprisingly, support for moving forward with this approach has been bipartisan and widespread across both urban and rural affiliations. Nearly 100 members of Congress, including members of this Committee, have contacted the FCC within the last 90 days about completing its work on CAF I incremental support. Governors, mayors, business owners and consumers from across the country have also weighed in with their letters and words of support. Timely FCC action could significantly narrow the rural digital divide, and faster broadband speeds and greater availability of broadband services will give rural consumers access to new educational

opportunities, cloud computing services, healthcare applications, IP television, streaming video and faster wireless speeds. These are just some of the important components you must consider in determining the true “State of Rural Communications.”

The good news is that it appears the FCC is ready to move forward on this important initiative. We believe and hope that the FCC is prepared to adopt an order which would lay the groundwork for use of these CAF I dollars sooner rather than later. For the hundreds of thousands of households and businesses that have little hope of receiving high speed Internet services today, a speedy decision by the FCC would be a welcome and meaningful action from Washington that would improve both lives and economies in these markets for years to come.

You should also be aware of the accountability aspects of the CAF I funding process. The ability of CenturyLink and other large rural providers to invest millions of dollars of their own capital demonstrates both a willingness and a firm commitment to help our country close its broadband gaps and accelerate the deployment of these high speed networks in areas where it would not otherwise be economically efficient to do so and others will not serve.

Because this hearing focuses on the State of Rural Communications in America, we must also talk about the country’s long-term broadband deployment goals and challenges. The FCC is also working on Phase II of Connect America Fund (CAF II) support for high-cost areas served by large rural carriers where there are no unsubsidized competitors and where broadband will not exist without support.

We are hopeful this program will move forward successfully, with most of the funding being accepted and put to work supporting expanded broadband availability in high-cost rural areas where remaining gaps still exist. For this to happen, the cost model must provide adequate support, while also avoiding overpayment. In this regard, CenturyLink supports a forward-looking, or “greenfield” approach, which is the approach the FCC has consistently adopted for cost modeling extending back at least to passage of the 1996 Act.

We must also acknowledge America’s rural broadband challenges are greater than any one provider or group of companies. At CenturyLink, we recognize the challenges faced by our smaller industry contemporaries, particularly those operating under rate-of-return regulation in high cost areas. The different forms of regulation have created different incentives and obligations for many years, and this disparate treatment has only increased with recent reforms. However, consumers who do not have broadband service today do not care about obscure regulatory regimes that may delay deployment in their areas. We believe the FCC should work with rate-of-return carriers to address their concerns and can do so in a way that does not slow the benefits of reform for the 80 percent of rural customers served by CenturyLink and other large rural carriers. Small carriers and large carriers receive support from separate USF mechanisms. Moving forward on one does not hurt the other. The “greater good” is bringing as many people online as quickly as possible and remaining focused on helping the rest as quickly as possible.

Too often, conversations in rural America take place among neighbors, family and friends about helpful technologies and advances that they have witnessed in other parts of the

country. Sadly, they are accustomed to waiting many years for these advances to be available in their part of the country. The challenge of bringing robust broadband services to rural America is not an easy one, as members of this committee can attest, but it's an important one, and we look forward to working with the FCC and Congress in 2013 and beyond to continue improving the state of rural communications.