

**Testimony of USTelecom President & CEO Jonathan Spalter
Before the Senate Commerce Subcommittee on Communications,
Technology, Innovation and the Internet
“Ensuring Solutions to Meet America’s Broadband Needs”
Tuesday, December 13, 2022**

Good morning and thank you, Chair Lujan and Ranking Member Thune, for the invitation to join this important conversation. I hope this convening can help spark a renewed collaboration across the public and private sectors, alongside community partners, to work effectively together to connect every person, business and organization in this country to high-quality, affordable broadband internet.

My name is Jonathan Spalter. I am President and CEO of USTelecom—The Broadband Association. We are the national trade association representing network providers, innovators, suppliers and manufacturers connecting the world through the power of broadband. Our membership ranges from large publicly traded corporations, some of the largest investors and job creators in our country, to local and regional companies and cooperatives that have roots in their community going back a century or more.

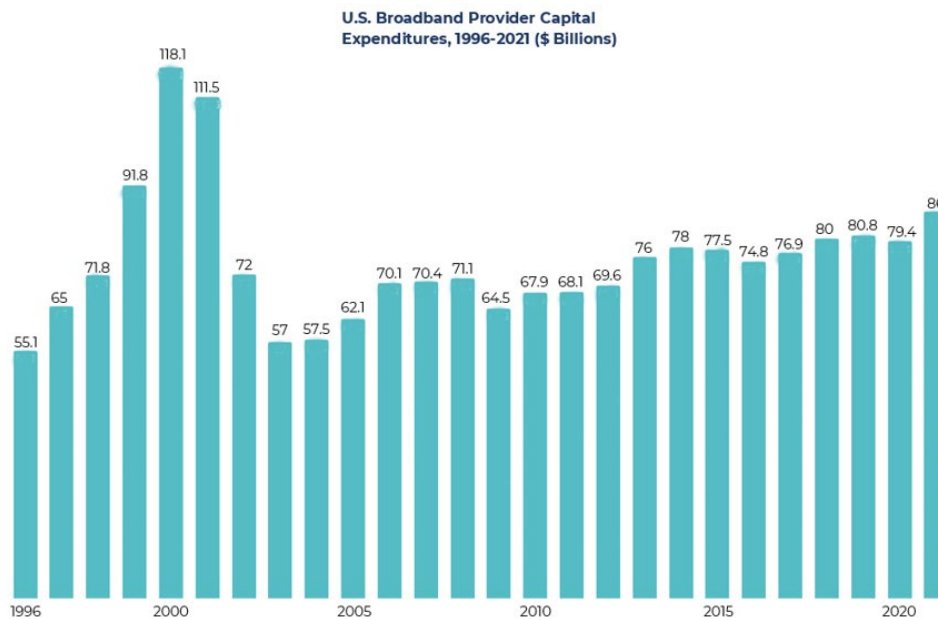
What unites our diverse membership is a shared commitment to connecting communities, businesses and individuals to opportunity, to a better quality of life, to each other via technology. Universal connectivity has always been our north star, and today, with a concerted effort, it is within reach. Each year, broadband providers invest billions in our nation’s connected infrastructure. Our ongoing capital investments totaled \$86 billion in 2021 alone.¹ Together with recent federal investments included in the Infrastructure Investment and Jobs Act (IIJA), they have the potential to finally, fully and forever connect our nation—if we work together to make the most of this historic moment.

So, we appreciate the opportunity presented by this hearing to roll up our sleeves and explore together the underlying causes of existing broadband service gaps and how we can best get after the host of concrete solutions available to us to close the digital divide.

¹ USTelecom, Broadband Capex Report, July 18, 2022; available at: <https://ustelecom.org/wp-content/uploads/2022/07/2021-Broadband-Capex-Report.pdf>

I. Overall, U.S. Broadband Deployment is an Extraordinary Success Story

From a macro perspective, U.S. broadband deployment represents a tremendous success story. America’s broadband providers have invested more than \$2 trillion since 1996 to build and expand the nation’s high-speed infrastructure. Last year’s investment of \$86 billion² represents more than twice the historic public commitment made in the IJJA, and these commitments are pressing forward despite the substantial economic headwinds posed by inflation, supply chain constraints and a tight labor market.



Source: USTelecom. Figures are rounded.

This vigorous investment is accelerating the transition from legacy copper to high-speed fiber networks throughout our nation. In 2021, 43 percent of U.S. households had access to fiber, up 12 percent from 2020.³ And providers have already committed over \$45 billion of their own capital to connect 48 million households to fiber in the coming years.⁴ As a result, the number of households with fiber access is expected to double

² USTelecom, Broadband Capex Report, July 18, 2022; available at: <https://ustelecom.org/wp-content/uploads/2022/07/2021-Broadband-Capex-Report.pdf>

³ 2021 Fiber Provider Study, Fiber Broadband Association, January 5, 2022; available at: <https://www.fiberbroadband.org/blog/fiber-broadband-enters-largest-investment-cycle-ever>

⁴ New Street Research, Closing The Gap – An Open Letter To Secretary Raimondo, October 2021; available at: <https://ustelecom.org/wp-content/uploads/2021/10/New-Street-Research-presentation.pdf>

over the next five years to cover 83 percent of U.S. households.⁵ This forecast assumes effective use of IIJA funds, which is mission-critical work.

Broadband access also is expanded by favorable broadband pricing trends. While overall inflation has increased, the average price for broadband has bucked this trend. Consumers spend, on average, \$45 per month for broadband service, down 14 percent from 2021-2022.⁶ The average price for the fastest broadband speeds also is down more than 10 percent over this same period. In sharp contrast, consumer sticker shock grew for other essential goods and services, with grocery bills rising by 8.5 percent, health insurance by 6.1 percent and rent by 4.4 percent.⁷

In addition to broadband pricing that runs counter to inflationary pressures consumers face with most other essential goods and services, the IIJA established the Affordable Connectivity Program (ACP), which provides up to \$30 per month to assist low-income Americans with their broadband bills and up to \$75 per month in tribal areas. More than 1,300 broadband providers are participating in the program—connecting more than 15 million households so far to low- or no-cost broadband.⁸

II. Our Work Isn't Done Until True Universal Connectivity is Achieved

Broadband providers' investment is why U.S. networks, unlike those in other countries, rose to the challenges of the pandemic despite surges in demand due to the abrupt shift to work, school, health care and everything else from home. The pandemic, however, also laid bare the unacceptable cost of being left on the wrong side of the digital divide. It left little doubt that broadband is an essential service for everyone.

USTelecom member companies' commitment to connecting everyone—regardless of race, ethnicity or income—runs deep in our DNA. It advances both our business interests and the community values that have defined and united our industry for decades. No child should have to do their homework sitting in a fast food parking lot. Our parents and grandparents should be able to review their blood sugar levels with their endocrinologist from the comfort of home. Small businesses must be able to access a world of potential customers online.

⁵ Independence Research, U.S. Broadband Blitz – Timeline and Impact, February 2022; available at: <https://www.fiberbroadband.org/page/fiber-research>

⁶ 2022 Broadband Pricing Index, USTelecom, June 29, 2022; available at: <https://www.ustelecom.org/research/2022-bpi/>

⁷ 2022 Broadband Pricing Index, USTelecom, June 29, 2022; available at: <https://www.ustelecom.org/research/2022-bpi/>

⁸ USAC, ACP Enrollment and Claims Tracker, December 5, 2022; available at: <https://www.usac.org/about/affordable-connectivity-program/acp-enrollment-and-claims-tracker/#total-enrolled>

Our member companies have long been committed to digital equity to ensure everyone in their service areas can take advantage of broadband-fueled opportunities—from health care to education to employment and reskilling. Together with community partners, our members have, for example, established learning centers to support remote education and provide tutoring and mentoring resources; STEM-based outreach programs to enable K-12 students in underserved communities build the critical skills they need to thrive in the digital economy; digital skills training programs for adults in rural communities in partnership with Historically Black Colleges and Universities; and telecom apprenticeship programs so tribal community members can gain the skills necessary for technology jobs on tribal lands.

Our collective work is not done until every person, business and community institution is connected to high-quality, affordable broadband. We agree wholeheartedly that universal connectivity fundamentally is a matter of digital equity. The question before all of us is how do we work collectively to get there? We begin with a shared understanding of the complex web of issues that have made a fully connected nation so elusive.

III. The Reality: Fiber is Costly and Complex to Deploy

Our member companies were founded, often a century or more ago, with the mission of connecting communities to opportunity. They paved the way for each generation of technological advancement in this country, from early revolutions driven by the availability of telegraphs and telephones, to universal copper-based telephone service, to DSL internet, and now IP-based fiber-optics and fixed wireless technologies.

As technology changes, so must our networks. Deploying next generation networks requires us to replace, not simply upgrade, our existing infrastructure. This is a time-consuming, resource-intensive process, and it cannot happen overnight or everywhere at once. It is a continuous endeavor. It involves navigating and overcoming a series of challenges complicated by factors ranging from supply shortages and limitations on the availability of skilled labor to legal barriers, such as state and local permitting processes.

Deployment is further impeded by outdated regulatory requirements that require our companies to maintain costly and inferior legacy copper networks, expending substantial resources that could instead be dedicated to accelerating the fiber transition. So as our members work to completely replace copper networks with fiber, they face the prospect of maintaining their legacy networks for lengthy and even indefinite periods of time as they seek regulatory approvals to migrate customers to next-generation networks. These obligations are unilaterally placed on our companies. Cable, wireless, satellite and other competitors face no similar demand on their capital, which distorts

both competitive dynamics in the marketplace and financial decisions around deployment.

IV. Many Specific Opportunities Exist to Dismantle These Hurdles Together

We face serious barriers to universal connectivity—from outdated and uneven public policy to the sheer vast geography of our country. We can push past these barriers, but we need a genuine partnership to do so. There are numerous opportunities to join forces—across government, industry and community organizations—to do collective problem solving.

What follows is by no means a conclusive list. It is intended to illustrate the constellation of issues that present concrete opportunities to take action now to help clear a path for long-term success.

Maximize the IIJA opportunity. Congress is to be commended for including language in the IIJA to emphasize that fund recipients must be qualified and have the technical, operational and financial wherewithal to get these essential infrastructure projects completed.

- Conduct appropriate oversight to ensure grant recipients are properly vetted to ensure they have the proven ability to complete complex infrastructure projects.
- Ensure government agencies coordinate deployments based on FCC broadband maps, so funds prioritize unserved and underserved locations.
- Make sure the policy environment is flexible and supportive of provider efforts to navigate supply chain challenges to prevent equipment-related project delays.

Remove or lower hurdles to speedy deployment. From landlords who won't allow access to or through their apartment buildings to federal agencies sitting on permits for years with no action, much can be done by policymakers at all levels of government to eliminate barriers that deny or delay affordable, reliable high-speed connectivity for all. This should include passing national permitting reform legislation like S. 1113 – The Accelerating Rural Broadband Deployment Act authored by Senators Daines and Kelly which would create a shot clock for agencies to approve or deny an application within 60 days or the application is deemed granted.

Prevent IRS takebacks. Under current law, all broadband grants, including those in the IIJA's Broadband Equity, Access and Deployment program, the American Rescue Plan Act's Capital Projects Fund and USDA rural deployment funding, must be treated as taxable income. This means roughly \$1 in every \$5 flowing to communities for infrastructure must be returned to the IRS. Congress should act quickly to pass S. 5021 – The Broadband Grant Tax Treatment Act, authored by Senators Warner and Moran,

and cosponsored by Senate Commerce Committee Members Wicker, Warnock, Capito, Sinema, Cruz and Fischer to make clear these resources should remain in the communities they aim to serve—rather than be taxed back to Washington.

Chart a sustainable future for Universal Service. In passing the IIJA, Congress rightly asked the FCC to explore what the future of the Universal Service Fund (USF) might look like once these historic deployment outlays are made. The reality is that broadband infrastructure is not a ‘set it and forget it’ technology. Just like roads and bridges, these networks must be maintained, repaired and expanded over time. This will require ongoing resources in high-cost areas. This financial burden must be more equitably shared. The current outdated USF contributions mechanism is profoundly regressive—focused largely on the dwindling number of landline telephone service customers. To secure the future for universal service, the contributions base should be expanded to include those companies that benefit most from modern universal connectivity, namely the nation’s leading edge providers. I urge passage of the FAIR Contributions Act introduced by Senators Wicker and Lujan and cosponsored by Senators Young, Capito, Barrasso, Crapo and Peters. The legislation would require the FCC to go further in studying the feasibility of contributions from the edge providers. USTelecom proudly endorsed this legislation, and we hope that it will be passed by the Senate before the end of the year.

Commit to long-term assistance for low-income households. While most customers are enjoying faster speeds and lower broadband prices, those struggling financially need additional assistance. The Affordable Connectivity Program (ACP) was launched and funded by Congress to help low-income households pay for internet service. More than 1,300 broadband providers participate in the program, with more than 15 million households to date receiving what amounts to low- or no-cost internet. While the ACP has proven successful, funding could run out sometime in 2024. Congress should make permanent this commitment to connecting low-income households.

Ensure everyone has the skills necessary to fully participate in the promise of broadband. Digital skilling initiatives are necessary to ensure all Americans are aware of and can harness the many opportunities broadband makes possible. Local community organizations are essential partners here. Congress recognized the importance of these efforts in establishing \$2.75 billion in Digital Equity Act funding as part of the IIJA. USTelecom members have been working to promote digital skills in the communities we serve for years and will continue to be committed partners in this work.

V. Long-Term Success Requires Strong, Constructive and Timely Teamwork

Across the many challenges facing our nation—from inflation to education, health care to social and economic divisions—meaningful solutions hinge on the ability of every home and business to connect to affordable, high-speed broadband.

Truly closing the digital divide means completing ubiquitous physical infrastructure, ensuring low-income consumers have access to this essential service and helping everyone attain the digital skills necessary to take full advantage of the many possibilities broadband brings into our lives.

We must not oversimplify the complexities of achieving universal connectivity. But we have to work together to overcome these challenges if we are to achieve our shared goal of empowering everyone to take full advantage of affordable, reliable, high-speed internet. You will find no more committed partners to achieving this essential national goal than America's broadband providers.