

{As prepared for delivery}

Remarks by
Under Secretary for Rural Development
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Rural Telecommunications Congress & Rural
Broadband Coalition
“A Recommitment to America’s Heartland”

Tuesday, September 30, 2003

9:00 a.m.

Washington, D.C.

- **Good Morning & Thank You**
- **I want to thank the Rural Broadband Coalition and Rural Telecommunications Congress.**
- **Kate McMahon – President RTC; Scott Lindsay – President , RBC.**
- **And commend you on your focus of both deployment and “Rural Development and the New Economy.” I concur with your direction, and I hope with what is an overall positive assessment for many areas of rural America.**

Background

- **Prior to my appointment I was involved in production agriculture for nearly 30 years.**
- **I understood the implications of being able to collect, transmit and analyze data. I understood that if producers could and would collaborate on data collection serious economic gains might occur.**
- **Early in the 1980's I became enamored with the potential of technology and from 1985 our farm went from having 1 IBM AT computer and an automated record keeping system....**
- **By 1992 we had our own on farm LAN, with 5 computers linked within our office. And by 1995 our LAN had expanded to 10 computers at three work locations and were utilizing real time GIS logging control devices for many of our crop production practices, particularly those that had potential environmental impacts.**

EXPAND SCOPE OF INITIATIVE

- **As we attempted to expand the scope of our management strategies while trying to collaborate with neighbors, other producers, and peers from across the state, it became abundantly clear that we needed bandwidth.....at least a lot more than 26 kbp dial up connection would give us.**
- **To acquire access to something akin to a slow DSL connection was cost prohibitive. We did install our own intranet Web Site on our LAN and began to drive internal day-to-day business operations with that, (weather station info, repair logs, and daily work schedules) but our access to external information was limited by bandwidth.**
- **Today, at USDA, we talk about gearing up our County FSA offices in order that they might drive USDA's customer services from the Web...a lot of progress has been made since I left the farm...but I suspect much more needs to be made. It is one thing to get our files between Washington and the County office exchanged...it is another to get them from the farm to the county office.**

- **A couple of years before I left the farm, my associate in charge of our technology efforts and, I began to look at wireless opportunities. We became aware of Prairie I-Net out of Des Moines and their initiative involving point to point and multi-point delivery of a much more robust level of bandwidth in the wireless form....yet it was several months from coming to fruition in our region of the state.**
- **Still the best we could do on a regular basis was dial up our Iowa Network Services Internet account and go to work at 26-kilo bites per sec.**

CAME TO WASHINGTON

- **Since being in Washington, it is more evident than ever that globalization is here to stay. People freed from tyranny, communism, and dictatorships lasting more than decades are now able to experience the exuberance of personal, economic, and political freedom.**

- **They have created numerous new economic pressures and opportunities that can only be addressed with access to bandwidth – and an increase in information capacity.**
- **So what does this mean for Rural America?**
- **Historically rural policy has always been equated with farm policy and Title I & II of the farm bill. Today those two titles directly impact about 2.5 million rural Americans.**
- **But there are 65 million rural Americans. Consequently we are now beginning to see a shift in the realization that we may actually need a rural policy in addition to a food and fiber policy.**
- **That realization has had a dramatic effect on what we do at Rural Development....let me take a couple minutes to explain.**

- **In the late 1990's USDA underwent a significant reorganization. During this reorganization the traditional FmHA farm operating and farm ownership loan programs were transferred to FSA.**
- **The outgrowth was that in an unknowing way the very face of what is now Rural Development was changed.**

WHAT IS RURAL DEVELOPMENT?

- **We are a sizable development bank. We have an \$86 billion dollar portfolio of loans and we will administer nearly \$16 billion in program loans, loan guarantees, and grants through our 3 primary mission areas of RHS, RUS, and the RBCS.**
- **We are really a Venture Capital firm for rural America....and we have two goals.**
 - **Increase Economic Opportunity**
 - **Improve Quality of Life for all rural Americans**

HOW

- **Increase Economic Opportunity by:**
 - **Increasing flow of capital to rural America;**
 - **Maintaining, sustaining, and rebuilding the existing infrastructure in rural America;**
 - **Fostering and enhancing the build out of the technological infrastructure necessary to enable rural America to compete both domestically and globally; and**
- **In fact it is this type of comprehensive approach of high tech investments and diversification of rural economies that the Federal Reserve Bank of Philadelphia highlighted in its 2002 summer/fall “Cascade” publication as contributing to a one percent increase in employment in rural areas of Pennsylvania, while the state’s urban areas employment declined by one percent.**
- **And when you look at the impact such diversified investments are having in Rural America, it is significant.**

- **We expect in 2003 alone that approximately 350,000 rural jobs will be created or saved through:**
- **Housing investments are estimated to create or save over 52,000 jobs.**
- **Utilities/community infrastructure investments are estimated to create or save nearly 204,000 jobs, and**
- **Business investments are estimated to create or save over 92,000 jobs.**
- **The impact of the Bush Administration's capital investments in rural America is tangible.**
- **According to USDA's Economic Research Service, although the U.S. economy is now in recovery, job growth has not met our expectations. For the Nation as a whole, in 2002, unemployment rates increased, employment growth sluggish; however, nonmetro areas fared slightly better in each measurement than metro areas.**

- **In May of this year, the Federal Reserve Bank of Kansas City, through its Center for the Study of Rural America, noted that the rural economy continues to hold steady, with rural jobs growing slightly by 0.7 percent in February compared with a year earlier. It should be noted job growth is increasing at a slightly higher percentage in rural areas compared to job growth in metropolitan areas according to the Bureau of Labor Statistics and I believe this is justification for the potential of taking the jobs to the people through technology.... No need to take the people to the jobs...immediately competitive.**
- **Two examples – No. Va. Dot Com. 3 hour commutes and \$800,000 homes. #2 Trademark and Patent office**
- **A further illustration of this point is a recent FORBES magazine article by publisher Rich Karlgaard who wrote in his monthly column “Digital Rules” a story entitled “Peaks and Valleys”. It focused on how the IPO market settled from a 200 plus market in 1990 and 2000 into a market of 20-30 per year after the boom years of the late 1990’s, and how high quality talent is less scarce and less likely to relocate to where the limited new markets are located.**

- **The interesting connection to Rural Development is in the second half of his article which focused on Jonathon Weber, the founding editor of “The Industry Standard” – a must read publication in the late 1990s if you were following the IPO market. In a nutshell, when Weber’s magazine went out of business in 2001, Weber was worn out, having worked 70-hour weeks, chasing his tale and living in pricey San Francisco. He needed a change and by his own account, needed to lower his cost of living. So he moved his family to his wife’s hometown of Missoula, Montana where he lectures part-time at the university and writes reports for “Off the Record Research” an independent stock tracker.**
- **The beauty of living in the 21st Century is that Weber and other like him can maintain the competitive edge of writing about international companies and global markets, while yet residing in a rural town that provides a lower cost of living and an improved quality of life.**

- **My point is that rural America is primed and is bringing new opportunities to agriculture and businesses seeking to reduce overhead yet be competitive in the global marketplace. Opportunities don't have to go overseas, they can come to rural America. We must be aggressive in our investments and deployment of a technology infrastructure/ thereby creating a venue for companies and individuals to look beyond the traditional mindset and geographical limitations to be successful.**
- **Since 2001, USDA Rural Development has leveraged \$1.5 billion to build technology infrastructure that will bring greater economic opportunities and an improved quality of life for rural residents.**
- **Even during these fiscally challenging times, Congress/President have overwhelmingly supported funding of technology, including funding for broadband expansion.**

- **This past year, as part of the pilot program, Rural Development made available grant funds in a program called “Community Connect” – which is an exciting approach to community funding.**
- **As an approach to helping to provide broadband service to “connect” essential community services.**
- **It has become very Popular**
- **In May, we announced \$20 million in grants for 40 projects, including 10 projects serving Native American communities.**
- **25 of these projects were for wireless solutions.**
- **This year alone, \$31 million in broadband grants have gone to assist businesses and residents in over 70 communities to gain greater access to such technology.**

- **Earlier this year, we announced an additional \$1.5 billion in loan and loan guarantee funds which has generated over \$1 billion in applications to build technology infrastructure. Thus far, two loans have been made totaling \$55 million.**
- **While funding for FY '04 is still to be decided, infrastructure funding for rural America appears to be in fairly good shape.**

Telecommunications infrastructure -

- **FY 03 - \$670 million**
- **It appears that FY 04 may be very close to same.**

Distance Learning and Telemedicine

- **To further the development of access to technology in rural areas, this morning the Administration is announcing \$32.4 million in distance learning and telemedicine funding. In total, 57 distance education grants for \$23.5 million, and telemedicine grants for more than \$ 8.9 million were selected for funding. In support of the President’s initiatives on education and healthcare, the education projects will help 556 schools provide students with educational tools to better equip them for the global digital economy.**

Additionally, rural residents will have access to better, faster, and more modern health care through 190 medical service facilities. Information on the grant recipients can be found at the USDA Rural Development web site at:

<http://www.rurdev.usda.gov>

We also have other tools which we are working on to foster enhanced bandwidth utilization in rural areas

- **Weather Radio Grant Program**
- **Digital TV Conversion Grant Program**
- **Local to Local Television Program**

- **Many of you may be taking advantage of – REDLG program administered through Rural Business and available to RUS electric and telephone cooperatives**
 - **REDLG. – Help communities develop demand service**
 - **FY 03 -- \$14.96 million loans**
 - **\$4 million grants**
 - **Maximums were \$450,000 on zero-interest loans, and \$200,000 grants.**

- **These are just few of TOOLS we are busy implementing in our role as the Administration’s Partner and Ally for rural America.**

- **USDA Rural Development will continue to be an ally in meeting “new communications needs” of rural America.**

- **So, changing Rural America will take the tools of AWARENESS and ALLIANCES/Partnerships.**

- **And the good news is that change often leads to the tool of INNOVATION.**

Challenge To Rural America

- **So in conclusion let me summarize that one of the greatest challenges to our rural communities is the development of technical and business infrastructures, especially in telecommunications. High-speed telecommunications services are a mandatory prerequisite for new jobs for rural residents. Modern infrastructure is necessary to bring in many benefits that rural communities need, such as: businesses, quality housing, modern schools, quality health care, dependable electric power, safe drinking water, and ecologically sound waste disposal.**

- **Just as citizens in our cities and suburbs benefit from access to broadband services, so should our rural residents. Broadband service is a necessity just like electricity, safe drinking water, and quality housing. The promise of broadband is not just faster access. It also means new educational opportunities through distance learning. It means life saving medical treatment over telemedicine networks. It means economic growth and new markets where businesses can prosper and grow locally, nationally, and internationally as well.**

- **The simply stated genius of this technology is, as I've said earlier, that it takes jobs to the people.**
- **What you are doing is making a difference. America's rural youth are now presented with greater opportunities to live and work in the communities where they were raised. Their future is no longer limited. And our challenge is to expand these opportunities to more of our rural youth.**
- **Finally, I would like to remind all of you that...**
- **In discussing his technology agenda, President Bush said, "The role of government is not to create wealth; the role of our government is to create an environment in which the entrepreneur can flourish, in which minds can expand, in which technologies can reach new frontiers."**

Closing

- **We are on the path for bringing greater economic opportunity and an improved quality of life to rural America.**
- **Even though our rural economy is headed in the right direction -- President Bush's initiatives on tax cuts, business growth, and energy are all vital parts of this equation. We know we cannot relax. There is still much to be done. We must be vigilant in our efforts to create an economically healthy rural America.**
- **You are the leaders who will help get the job done.**
- **Thank you for allowing me to be with you this morning.**