

Statement by

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Subcommittee on Rural Development and Energy**

**Hearing on
Rural Broadband: Connecting our Communities to the Digital Economy**

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INTRODUCTION

Good afternoon Senator Welch, Ranking Member Tuberville, and members of the Subcommittee.

Thank you for holding this hearing and inviting me to testify about broadband programs overseen by the United States Department of Agriculture (USDA).

My name is Roger Nishi and I currently serve as Vice President of Industry Relations at Waitsfield and Champlain Valley Telecom (WCVT) in Vermont. I have over 36 years of industry experience and have served on the board of various rural telecommunications associations which included being elected to the position of Chairman of the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) and President of the Technology Association of New England (TANE). I hope that my testimony will provide firsthand insight to members of this subcommittee on the connectivity needs of rural communities and encourage bipartisan cooperation to strengthen and improve this year's Farm Bill.

WCVT is a 119-year old, third-generation, family-owned, community based rural broadband provider serving the Mad River and Champlain Valley regions of Vermont. Being locally owned allows us to truly understand the telecommunications needs of our customers – our neighbors – and share in a commitment to improving our communities. We provide voice, video, and high-speed Internet services to more than 16,000 customers. Our service area spans approximately 669 square miles including twenty-four rural towns in parts of three counties.

In spite of the sparsely populated nature of rural Vermont where residential lots are large and communities spread out across fields and mountainous terrain, WCVT and other small, rural broadband providers in Vermont and around the country have led the charge in deploying broadband services that meet the modern needs of consumers. Currently, half of our network is served by fiber-to-the-home technology offering synchronous broadband speeds up to 1 Gigabit per second. This includes all schools, anchor institutions, larger businesses and many of our rural residential customers. In Vermont, our construction season is here and we continue to make progress converting customers to fiber. Over the next few years, we are making significant investments in extending fiber-to-the-home to the communities we serve. These are large capital construction projects that have many moving parts and pieces. While we can't reach everyone overnight, please know that every single dollar we invest in fiber is benefiting Vermont and the local communities we serve. Building fiber to everyone is going to take time, but each and every day, we are making progress.

Similarly, in its most recent survey of the broadband deployment efforts of rural community-based operators, NTCA-The Rural Broadband Association, of which WCVT is a member, found that nearly 80% of its members' customers on average are connected by fiber-to-the-premise ("FTTP") networks and that more than 80% of those customers on average can receive at least 100 Mbps broadband service. This progress far outpaces the work of other providers in connecting other parts of rural America, but it also shows that the work is not finished and

highlights the important role USDA's broadband deployment programs can play to help finish the job.

Indeed, while Vermont might be best known for its picturesque landscape, abundant outdoor activities, and quaint inns and bed and breakfasts, look deeper and you will find a vibrant high-tech business community served by a state-of-the-art telecommunications network that continues to evolve and residential users capitalizing upon the ability to work and learn from anywhere. Access to affordable broadband service is a critical component of the continued economic viability of our rural communities, and we are seeing the benefits of these investments across much of Vermont.

Our employees are working hard to complete the next evolution of our network to support continued growth in higher speed Internet services and an increased level of reliability and redundancy in the network as we continue to grow our fiber network. It takes an enormous amount of planning, resources, and significant capital investment to make this happen – and, as proud as we are of the successes to date, there is a lot more work to do and investment needed to reach areas still lacking the kind of connectivity needed to participate meaningfully in today's increasingly online world.

While what I have discussed is the story of WCVT, the same can be said of the other small Vermont independent telecommunications / broadband companies. Further, the case is the same for telecommunications companies across rural America, where industrious community leaders saw the need for better communications more than 100 years ago, and where that spirit still lives today, ensuring that communities can thrive and prosper into the future. This is where USDA broadband programs play such an important role, and where the Farm Bill represents such an important opportunity to strengthen and sustain these efforts.

FARM BILL CONSIDERATIONS

Throughout the history of WCVT, the company has had a relationship with USDA and the Rural Utilities Service (RUS), and through its predecessor agency, the Rural Electrification Administration (REA). In the early 60s, our Company looked to REA for expertise and much needed capital to upgrade the company's network. Our owners, Dana and Eleanor Haskin, literally "bet the farm" and signed a 25-year loan with REA for \$400,000 to install a new direct dial telephone system and network. Seven years later, the company again looked to REA for an additional \$640,000 loan to convert all of its customers to single-party service, becoming the first company in Vermont with all private lines. Our rural communities have been able to benefit from these generational infrastructure investments in our telecommunications network that REA helped us make.

In August 2010, WCVT was awarded a \$5,560,000 RUS Broadband Initiatives Program (BIP) combination grant and loan that helped to jump start our fiber builds and brought fiber-to-the-home technology to approximately 740 homes and small businesses in parts of Addison, Chittenden, and Washington Counties. The proposed funding areas contained rural locations that lacked high-speed access, which was then defined as service at a rate of at least 5Mbps up and downstream combined, due to extreme distances well over 15,000 feet from our switching

locations. These areas were some of the company's most remote and difficult to serve over the copper network. In addition, the RUS-BIP award allow us to upgrade our backhaul infrastructure, with the addition of a new core ring with the capacity to carry multiple 10-Gig rings. With similar RUS-BIP funding, other Vermont companies have built fiber-optic and wireless networks, enhancing their level of service for Vermonters.

Now, as Congress considers how to revitalize USDA broadband funding programs as a part of more comprehensive Farm Bill deliberations, I would encourage a focus on several key areas. Addressing these issues in a thoughtful and efficient manner will ensure that USDA broadband programs realize the greatest difference for, and have the most lasting impact upon, rural communities in Vermont and across the country.

The Importance of Building Robust and Reliable Networks and Looking to Proven Track Records of Performance in Rural Areas

There is a national imperative today, captured in recent waves of funding in various appropriations bills and backed by a long-standing statutory mission of universal service, to ensure that all-Americans have access to robust and affordable high-speed internet. Congress has taken critical steps towards this goal by passing monumental legislation such as the American Rescue Plan and the Infrastructure Investment and Jobs Act, but more remains to be done to reach the unconnected and to keep them connected thereafter.

The COVID-19 pandemic laid bare inequalities in broadband access in various communities, including many rural areas, and highlighted why all Americans need access to reliable broadband. But in overcoming this digital divide, Congress must ensure that networks, built with precious and limited federal funds, are scalable and stand ready to meet the needs of users today and well into the future. Even as certain networks may seem cheaper to deploy initially, it would be a mistake for Congress to think only of what can meet the needs of today. These are investments being made to serve communities for decades, and we should expect and demand that the networks demonstrate a capability to do so given the use of federal funds to deploy them. Members of this subcommittee in particular must consider future needs as they focus on rural development and the long-term viability of rural communities.

Studies have shown that fiber represents the most economical choice for the most capable fixed broadband service on a long-term basis.¹Fiber, unlike coaxial cable or the legacy copper phone lines, is the only infrastructure that can be upgraded without significant new investment. Similarly, while manufacturers of fixed wireless technologies and certain firms that use these systems claim the ability to deliver high-speed services, it is uncertain that this technology can deliver such a high level of service on a widespread basis across wide swaths of rural America and that it can keep pace over time with exploding demands for bandwidth, especially as more users congest the network.

¹ Future Proof: Economics of Rural Broadband COMPARING TERRESTRIAL TECHNOLOGIES & INVESTMENT CONSIDERATIONS TO MEET INCREASING CONSUMER BROADBAND DEMANDS;
https://www.ntca.org/sites/default/files/documents/2021-05/Future%20Proof%20--%20Economics%20of%20Rural%20Broadband%20FINAL_0.pdf

Scalable and future proof networks support public safety, small business growth, education and telemedicine needs while enabling precision agriculture, powering 5G technology, and allowing for real-time, two-way communications by many users at the same location. To accomplish this, the minimum speed for eligible projects administered by USDA to receive funds should remain 100/100 Mbps – just as was the case in Rounds 3 and 4 of the ReConnect Loan and Grant Program. It has been argued that the 100/100 Mbps minimum speed threshold is too high and that it may prevent certain providers from applying for the program. However, during Rounds 3 and 4, the program was oversubscribed by 4 to 5 times, proving that numerous providers are willing to build the kinds of networks that consumers need today and well into the future. We also need to remember that the program rules should not be built around the artificial concept of “letting every provider play.” Instead, the focus should be on the customer and the best long-term return for the federal dollars funding such investments.

We need to make sure program requirements are determined by the needs of rural communities and not by the limitations of certain providers. It is also unclear why, if providers of all kinds believed themselves capable to participate in FCC universal service auction programs at a gigabit level, they believe that 100 Mbps symmetrical objectives in USDA programs somehow present an insurmountable bar to participation. Indeed, if anything, Congress should view the 100 Mbps symmetrical threshold as a *baseline*, and give USDA the flexibility to increase this standard over time as needs and use cases for broadband evolve. In far too many broadband funding programs, we have seen all too often the mistakes of “locking speeds in” at lower levels deemed necessary for current use, only to find such speed targets outdated shortly thereafter.

Just as not all technologies are created equal, it is equally true that not all providers are created equal and not all will necessarily meet the needs of our rural communities. To be sure, there should be no bar on any provider seeking to participate in the program if it can show operational, technical, financial, and managerial capabilities necessary to perform as promised. But experience matters, and proven performance matters. Congress should prioritize funding opportunities for companies with a demonstrable track record of serving rural communities. This could be structured as prioritizing providers with experience with USDA programs, or simply as looking first to those with many years of experience in building and operating networks and delivering services in deeply rural areas. It would be good public policy and a prudent use of federal funding resources to prioritize funding for those that have shown before that they can do the kind of work contemplated in these programs.

The Importance of Coordinating/Limiting Overbuilding

Scores of different broadband funding programs are administered by the Federal Communications Commission (FCC), USDA, Treasury, and National Telecommunications and Information Administration. While some of these programs aim to do very different and complementary things, others are nearly identical in seeking fundamentally to provide capital for broadband deployment. Thus, Congress must ensure that these federal agencies work together to avoid overbuilding or unnecessary funding duplication. Just over one year ago, the aforementioned agencies entered into a Memorandum of Understanding to enhance information sharing. Congress must exercise its oversight responsibilities to make sure that these agencies continue to communicate with one another and with the public, and that they factor data shared

amongst them into decisions with respect to funding. Failure to do so could result in a waste of precious federal dollars and will undermine public confidence in these vital programs.

Additionally, the FCC must ensure that its map is accurate and accessible to other agencies. The use of a single accurate and properly vetted and challenged map as a common baseline across federal agencies (and even by states) is imperative and offers the best means to ensure that funding will not be directed to areas where a provider is already subject to an enforceable commitment to deliver certain levels of service leveraging another program.

Project Delays

I also encourage Congress to address the difficulties with permitting and approvals. Specifically, for the 2023 Farm Bill, I would encourage this subcommittee to include specific requirements for agencies to process applications in a timely manner. Many small, rural providers experience permit approval process delays from 12 to 24 months when applying to place telecommunications facilities. Approval delays occur at many steps throughout the process, but those posed by environmental and historical preservation reviews contribute significantly to the long wait times.

I also encourage Congress to reevaluate RUS's staffing needs and other federal and state agencies involved in permitting and approval procedures to determine if additional funds and staff will help alleviate these delays.

While WCVT is not currently experiencing any permitting delays in our current builds, we are very cognizant of the impact that delays can have on the overall sequencing of construction and our ability to complete our projects. While we know the permitting processes and timelines, and take such into consideration in our planning, we can ill afford extensive delays with our short construction season, the availability of our contractors and the overall cost implications on our projects. WCVT and the overall industry is fearful of having work stalled due to a permitting delay, and losing construction crews to other providers that are ramping up construction to levels never before experienced in the industry given the vast amount of funding now available.

OTHER BROADBAND ISSUES

While not directly pertinent to provisions that may be included in the Farm Bill, the subcommittee should be aware of several other issues that have material effects on rural broadband – and thus ultimately affect the viability and sustainability of USDA broadband funding programs

Sustaining Networks

Rural providers face the challenge of not only building costly networks in low density areas with challenging terrain, but we must also upgrade and maintain these networks to meet ongoing consumer demands. We must also keep rates affordable, even in the face of higher costs of operation in rural areas.

Since the early 20th century, we have had a national mission of universal service when it comes to connectivity and communications. In 1996, Congress codified this mission through mandates for universal service in the Telecommunications Act. The goals of universal service remain just as important today, if not more so than before, and they should be seen as part and parcel of a successful national broadband strategy. Providing universal service does not mean that the work is done when a network is built; instead, it is at that point once the “ribbon is cut” that the providers need to focus on ensuring customers and communities can make the best possible use of a network.

While the Agriculture Committee does not have direct jurisdiction over the mission of universal service or certainly the FCC’s Universal Service Fund (USF) programs, it is important to take stock of how these programs interact with the deployment funding programs administered by USDA under the oversight of this subcommittee. While the USDA programs have been critical in providing capital – both loans and grants – for network construction, the FCC’s Alternative Connect America Model (A-CAM) and Connect America Fund-Broadband Loop Support (CAF-BLS) mechanisms play an essential complementary and coordinated role by helping providers find the business case for deployment in the first instance, to sustain these networks once built, and to keep rates for services atop these networks more affordable for rural consumers.

I strongly encourage Congress to urge the FCC to take immediate action to enhance and extend the A-CAM model and to update the CAF-BLS mechanism. Members of Congress have already written to the FCC on a bipartisan basis to encourage prompt attention to updating these programs as soon as possible. We hope that the FCC will take these communications from Congress to heart – the ultimate success and sustainability of broadband efforts across rural America depends upon such action, and timely resolution of these issues by the FCC would also assist greatly in promoting effective coordination with future rounds of ReConnect and other upcoming grant initiatives.

Taxing Broadband Grants

Congress can also accelerate broadband deployment by passing S.341 the Broadband Grant Tax Treatment Act. This bipartisan bicameral bill has been introduced in the Senate by Senators Warner and Moran and fifteen of their Democratic and Republican colleagues.

Congress has generously appropriated billions of dollars to make robust broadband service available to unserved and underserved areas, and discussions of how to further advance these efforts is a clear focus of the Farm Bill. Such grant funding is unfortunately taxable for most provider recipients. In some states, providers would be subject to double taxation because federal taxes would trigger an assessment of state taxes as well. This effectively means that a significant portion of every grant dollar is being returned to the government in the form of taxes due, rather than being used to place fiber in the ground or antennas on poles. The Broadband Grant Treatment Act would exclude broadband deployment grants from an organization’s income, freeing up the funds from these grants for use specifically in deployment activities.

Affordable Connectivity Program

While broadband providers work to expand accessibility, we cannot ignore the importance of affordability. Approximately 1 in 5 Americans who do not use the internet cite cost as the key factor. The Affordable Connectivity Program (ACP) overseen by the FCC is a critical component to help low-income users in rural and urban areas alike adopt – and keep adopting each month – broadband service. Like the federal USF programs discussed above, ACP should therefore be seen as part of a coordinated comprehensive national strategy to promote universal broadband connectivity and access for every American. I encourage Congress to find ways to sustain the ACP through additional funding, so that no American is left without service due to the inability to afford to connect.

As we all know, access to affordable broadband services is crucial to creating opportunity and leveling the playing field for everyone. High-speed internet service plays a vital role in every household, connecting Vermonters to school, telehealth resources, employment, family, community resources and so much more. Access to affordable broadband service is critically important to promoting equity and equal opportunity. The Affordable Connectivity Program helps to bridge the digital divide by narrowing the gap between availability and affordability, making high-speed internet service more affordable and accessible to those in need.

CONCLUSION

America will continue to prosper if we continue to invest and promote affordable, sustainable, and scalable broadband service in rural communities. WCVT and other community-based providers serving rural communities have long been leaders in deploying broadband services to America's rural areas. We are eager to continue working with you, USDA, and others to fulfill the national objective of making broadband universally available and affordable. Thank you. I look forward to answering any questions you may have.