

**Testimony of Thomas A. Gerke  
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**Before the  
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**Connecting Main Street to the World:  
Federal Efforts to Expand Small Business Internet Access**

Good morning Madam Chair, Ranking Member Snowe, and members of the Committee. Thank you for the opportunity to testify today on federal efforts to expand broadband Internet access for America's small businesses. The importance of this committee's work on behalf of small business owners cannot be understated - especially as it relates to connectivity in a global economy.

**About CenturyLink**

CenturyLink is a national telecommunications provider with a true local focus in the markets we serve. We are the nation's leading rural provider of voice and Internet services, with approximately 7.2 million customers in 33 states. We offer high-quality local and long distance telephone, high-speed Internet, video, and other services, including IPTV, over advanced networks.

Small businesses and entrepreneurs are an important part of CenturyLink's past, present and future. In fact, you could say we are ourselves a small business success story. CenturyLink began as a small business in the rural northeast Louisiana community of Oak Ridge. In 1930, our founders, Clarke and Marie Williams, bought a small family telephone business for \$500 -- less than the price of a typical new car back then. There were just 75 paid subscribers, and the switchboard was set up in the Williams' front parlor so the family could handle calls 24 hours a day. Marie Williams wrote out bills by hand, and their eight-year old son Clarke McRae Williams delivered them on his bicycle.

Clarke M. Williams went on to grow the company over many years by acquiring other small rural telephone companies in surrounding states. The timeline of our growth covers several decades now and is too lengthy to cover today. However, within the past 10 years, the

acquisitions have become larger and our footprint more expansive nationally, but our core values and commitment to service have not wavered.

Today, we are fortunate to be one of the largest local telecommunications company in the United States, and the largest such company primarily focused on deploying broadband in rural areas. As many of you know, just last week CenturyLink announced its intent to acquire and merge with Qwest, important news I will address later in my testimony. For now, let me say that our service territory extends from the Pacific Northwest to the Florida Everglades, and from northern Minnesota to the plains of Texas. In our rural areas and small towns, we serve many small businesses. They are very important to our success, and we genuinely value the small business customer.

Even as CenturyLink has grown, it has strived to maintain its commitment to Louisiana. The company has appreciated the support of our community and the leadership of our federal delegations in all the local markets we serve.

### **The Importance of Broadband**

CenturyLink serves over 414,000 small businesses nationally, including over 12,000 in Louisiana alone. In fact over 90 percent of our business customers are small businesses with fewer than 100 employees. Among our small business customers, the most in-demand broadband product is a 3 Mbps connection, although we expect that to grow sharply in the coming years as more and more business shifts to the online environment.

We understand that broadband is very important to small business, especially broadband availability in rural communities, where it is a central component to economic reach and development. We have seen what broadband connectivity can do to expand the reach of small businesses, to open economic opportunities, to create jobs and to revitalize small towns and rural communities. In just one example, thanks to CenturyLink's broadband service, a small nursery in rural central Louisiana was able to extend its sales from a purely local market into several states, growing the business and bringing its community new employment and economic opportunity that before had seemed out of reach. Just as traditional telephone service was a critical link to the rest of the world for the previous generation, broadband is now the key enabler for communications, entertainment and commerce for today.

## **The National Broadband Plan**

The National Broadband Plan sets out an important framework for reforming federal policies and regulations -- policies and regulations that impact both the availability and affordability of broadband. We appreciate Chair Landrieu's leadership in highlighting the need to focus on small businesses in the National Broadband Plan, particularly in rural areas.

A key recommendation in the National Broadband Plan is reform of universal service and intercarrier compensation. Both issues have a tremendous impact on the economic case for bringing broadband to rural communities. One important thing for policymakers to keep in mind is that all telecom providers rely on the networks of other providers to originate and terminate voice and data traffic. Additionally, companies like CenturyLink serve as carriers of last resort, which means we have a regulated obligation to serve areas where most of our cable and wireless competitors do not. The cost of serving such markets is high and the population density is very low.

We provide service to rural residents and businesses -- including thousands of small businesses -- at rates that are below the actual cost required to provide the service. Universal service and intercarrier compensation payments deliver the support necessary to provide network and voice service in these areas. They allow carriers to provide service quality and rates reasonably comparable to large urban areas. Today, however, we all face intense competition -- from other providers and other technologies -- even as we move quickly to transform our voice networks into broadband-capable networks that deliver the advanced services. That makes reform of the current rules appropriate and timely.

The National Broadband Plan also rightly recognizes that private capital is key to broadband deployment. Deploying a broadband network is hugely expensive, and broadband providers must invest in their networks continuously just to keep up with growing bandwidth demand. In Louisiana alone, CenturyLink has invested almost \$900 million in network and other infrastructure that will be needed for data-intensive network traffic. In larger states that investment is in the billions. The plan notes that simply deploying broadband networks to reach every American could cost \$350 billion or more. Private investment built today's voice and broadband networks, and private investment is the fastest and certainly the most efficient way to expand America's broadband networks. We also believe that our fiber-rich, core wireline networks offer the best and fastest hope to meet the rapidly increasing demands of small business owners for speed and reliability in their broadband services.

As the FCC considers its “open Internet” proceeding, we urge its leaders to work closely with broadband providers and companies that have committed to continue providing a positive Internet experience. We urge the FCC -- and Congress -- to avoid a heavy-handed regulatory approach that would impose legacy voice telephone regulations on modern broadband networks. This is key to ensure that no one class of provider is subject to heavier regulation than its competitors. Outdated or lopsided regulation serves only to increase costs, limit legitimate business opportunities, and discourage investment. That investment is critical if America is to expand broadband service availability and bandwidth speeds for all small businesses.

### **Broadband Stimulus Programs**

CenturyLink appreciates the ARRA’s goal of bringing broadband to unserved and underserved areas and Senator Landrieu’s leadership in focusing the attention of NTIA and RUS on the broadband needs of small business, especially in rural America. Appropriately implemented, stimulus programs can help make broadband investment viable in areas where it would otherwise be uneconomic. Programs to stimulate demand and promote adoption certainly have benefits, especially in economically distressed communities. In fact, boosting the “take rate” for broadband can improve the business case for investing in a more robust network.

Programs to promote infrastructure deployment are far more challenging to implement, as NTIA and RUS know first-hand. The challenge is to identify those places where economic realities make broadband deployment uneconomic without public incentives, without undermining the economics of existing providers or diminishing the viability of adjacent areas. Done right, stimulus awards can justify deployment or upgrades in low-density areas where such investment is otherwise uneconomic. But if they subsidize overbuilding of existing networks or take away anchor institutions that were already anchoring private investment, they undermine the competitive market and render existing and adjacent areas nonviable for broadband network investment.

Like many major broadband providers, we concluded participating in the NTIA and RUS programs was not a viable option for us at this time. We determined after much deliberation that our focus must instead be on the successful integration of Embarq and focusing on our ongoing broadband deployment program which we believe is highly aggressive. CenturyLink has reached an overall availability for approximately 90 percent of our 7 million customers. However, we do envision playing a role in the stimulus funding process. Our company is working with many named and pending grant applicants in multiple states as a possible vendor or contractor to assist them with completing their proposed projects.

Providing broadband requires a huge and ongoing investment. As you know, bandwidth demand is growing almost exponentially. Simply to maintain existing levels of service requires nonstop investment in capacity upgrades and the latest technology. In rural areas, overbuilding or doing the equivalent of building bridges next to bridges can make it impossible to justify those ongoing upgrades, and consequently can condemn rural customers to slower speeds. From a trending standpoint, we have seen an unusually high number of applications in Round 1 that essentially overbuild existing broadband infrastructure in rural and urban markets versus a focus on providing broadband to those currently unserved. We hope both agencies will continue to recognize the potential long-term negative outcomes resulting from overbuilding as they evaluate applications in Round 2.

### **Our Merger with Qwest**

In closing, I am pleased to share with you that last week, the boards of CenturyLink and Qwest approved the purchase of Qwest by CenturyLink and the merger of the two companies. We believe this is an important and positive transaction not only for our consumers and small business customers, but also for the future of advanced telecommunications services in our country. The combined CenturyLink and Qwest networks offer incredible potential to both accelerate deployment and improve broadband services in a multitude of urban and rural markets from coast to coast, and the 173,000 mile fiber network will enhance our ability to provide broadband in hundreds of communities.

Our goal is to provide the highest quality voice and broadband services for our customers -- including the small businesses that are the backbone of our economy and the lifeblood of our small towns and rural communities. We trust members of this committee and the FCC will see the strong public interest benefits of this merger and the great potential it holds for small business owners and entrepreneurs and join us in gaining the necessary state and federal approvals as quickly as possible.

CenturyLink has grown from a family's front parlor to what will be a leading national broadband and wireline voice provider. This transformation shows the potential of every small business entrepreneur, regardless of where they choose to live and work. It helps illustrate the importance of policies that promote broadband investment and quality service.

Thank you again for convening this important hearing and I look forward to your questions.