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Economic Development in Rural America, Montana Telecommunications Association (2)

Max S. Baucus

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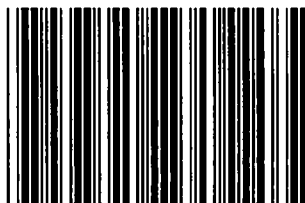
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BAUCUS

Speech of Senator Max Baucus

Montana Telecommunications Association

August 8, 2007

“Economic Development in Rural America”

In the early part of the 20th century, rural America faced the challenge of electricity. As our nation slowly crept out of the the Great Depression, the majority of folks living in rural America had no electricity. The power companies didn't think rural America could afford electricity, didn't think farmers and ranchers could pay the bills on time. Yet, along with the New Deal, Roosevelt brought about the Rural Electrification Act, and the face of rural America was transformed. Now, in the 21st century rural America faces the same hurdles. From broadband, to cell phones, it is time that folks living Manhattan, Montana

have the technology that folks in Manattan New York have.

A couple of years ago I brought another Senator from a rural state to Montana for a field hearing on health care. After stepping off the plane in Eastern Montana, she turned to me and said, “Max, this isn’t rural. I know rural. This is MEGA rural.”

Our Montana businesses face unique challenges. Being rural means that we are often forced to travel long distances to move goods and deliver services. For example, the port of Seattle is over 840 miles from a producer in Malta.

But Montana has many advantages as a business center. Montana’s blue ribbon trout filled streams, mountains, and forests attract visitors and a strong work force.

In fact, in 2005, over 10 million visitors came to the Big Sky state. These visitors spent over \$2.75 billion which included nearly \$200 million on entrance fees and outfitters.

And Montana's businesses are well served by our telecommunications providers. As you know, Montana Telecommunications Association members invest more than \$50 million annually in new facilities and services serving primarily rural Montana.

~~**Today I want to talk about opportunities to help improve economic opportunities in Montana and rural America alike. My top priority is to create more good-paying jobs here at home, and boost our state's economy. As Chairman of the Senate Finance Committee and a senior member of the Senate Agriculture Committee I am fortunate to be in a position to deliver for Montana.**~~

Opportunity. It is a magnificent word. It is a word that defines Montana, and America. Our nation was built on the foundation that we are the land of opportunity. And today, I want to talk about ways to improve economic opportunities both here at home, and for rural communities across our great nation. My top-priority is to create more good-paying jobs here at home, and boost our state's economy. And as Chairman of the Senate Finance Committee, and a senior member of the Senate Agriculture Committee, I'm fortunate enough to be able to help deliver for the Treasure state.

I want to focus on three areas where I am working to deliver for Montana: (1) energy; (2) agriculture; and (3) telecommunications and the broadband development.

~~Let me walk through each goal individually.~~

Energy. It has been a buzz word around the country for quite sometime. Everytime you go to the pump, turn on your heater (though maybe not this time of year) we all are affected by energy prices. Though you might not directly realize it, we are all affected by what i call the three “S’s”: spending, sustainability and security.

Americans are spending more and more on energy. According to the Department of Labor, over the past five years the average household's spending on gasoline has increased by over \$1,000. In rural areas like Montana, where jumping in the truck and driving 200 miles a day isn't uncommon, the increase is more like \$1200 per household. This increased spending on gas puts a pinch on most everyone's pocketbooks - particularly folks of modest means.

Energy is also an issue of sustainability. There's nearly unanimous agreement that our energy habits are leading to a warmer climate. The Intergovernmental Panel on Climate Change, a consortium of two thousand of the world's leading scientists, reports that 11 of the last 12 years rank among the dozen hottest on record since 1850. I just read that Billings had the second hottest July in history

These rising temperatures are likely to lead to more frequent heat waves like we're seeing in Montana this summer, longer and hotter fire seasons, and the disappearance of glaciers, among other things.

We also have an energy problem when it comes to security. In the early 1970s, we Americans imported about one-third of our petroleum. Now we import about 60 percent, a number which could rise to 70 percent in a couple of

decades, if trends continue as they have. Of course, many of these imports come from places that would just as soon we did not exist.

So what do we do about it?

Thankfully the answer lies right here in Montana's fields, forests, and coal mines. We have to lessen our dependence on foreign oil and boost energy production here at home.

Boosting energy production here is vital because the more energy we can produce, the more good-paying jobs we can create.

I've been fighting to tap into Montana's vast alternative energies; whether it's wind, bio-fuels, or solar, I want to make sure that Montana is on the cutting edge. Yet, we must not forget about more traditional energy, especially coal.

Montana has one of the largest coal reserves in the world,

120 billion tons, and we must find a way to harness this in a clean, responsible way.

That's why I recently pushed a comprehensive package of energy tax incentives through the Senate Finance Committee.

My bill included a number of provisions, but it focused the incentives on Montana's most abundant resources: wind, coal, and biomass.

The bill included a first ever five year extension of the two cent per kilowatt hour production tax credit. This incentive has already helped wind projects like the Judith Gap Wind Farm get off the ground. With this long term extension we could expect even more wind farms in Montana.

The bill also contained tax incentives for clean coal investment tax credits, Clean Renewable Energy Bonds for coal, tax credits for Indian country coal, and a new credit for capturing and sequestering Co2.

Finally, my bill included the first ever tax incentive for cellulosic ethanol, which can be made from waste products like wheat straw and woody biomass. This provision will create new markets for products from Montana's forests and farms.

While this was narrowly defeated on the Senate floor in June, I will revive this package when the Senate comes back into session in September. It's a good package, and if Congress is serious about reducing what consumers have to

spend on energy, increasing our energy sustainability and ensuring our energy security, we've got to act.

I am also working to make sure the Farm Bill is right for rural Montana. We often think the Farm Bill is only for farmers, but in many ways it helps provide the backbone of our state's economy.

The Farm Bill gives rural lenders confidence to extend credit to farmers and ranchers. In turn, these farmers and ranchers support Main Street businesses by purchasing feed, seed, and machinery. And finally, let's not forget that it's the banker's, businessmen's, and farmer's kids who keep our rural schools vibrant and our communities alive.

I'm also determined to make sure the Farm Bill's conservation programs work for Montana. These programs help farmers improve wildlife habitat, conserve natural resources, and save farmland from development. Not only do these programs protect our outdoor heritage, they also attract folks who stimulate Montana's economic activity.

Lastly, I look forward in the fall to pushing two pieces of legislation aimed at reducing the cost and availability of telephone and broadband service across Montana.

First, I want to finally get rid of the telephone excise tax.

The telephone excise tax is a relic that has out served its original purpose. The tax was originally imposed in 1898 to pay for the Spanish-American War. The tax was imposed

on telephone service because in 1898 the telephone was considered a luxury. Congress actually called the telephone tax a “luxury tax.”

Well a lot has changed in the last 100 years. The Spanish American war ended, we landed on the moon, baseball became America’s past time, and telephones are no longer a luxury.

Today, the telephone tax is the opposite of a luxury tax. Unlike most of the U.S. tax system, the telephone tax applies the same rate of taxation – 3 percent – regardless of how much money you earn.

So Bill Gates and a single Mom earning \$15,000 a year pay the same rate of taxation on their telephone service.

That’s not fair. It hurts lower income taxpayer’s more than rich taxpayers, because a larger share of their income

must go to pay the tax. It also makes telephone service more expensive for Montanans trying to make ends meet.

Fortunately, the Treasury Department repealed the 3 percent tax on long distance service last year. But the Treasury department does not have the authority to repeal the tax on local service. Congress must repeal the 3 percent tax on local service.

Last year, I fought to repeal the tax on local phone service. We passed a bill to repeal the telephone tax in the Finance Committee. But we were unable to get it across the finish line.

This fall I'll push to repeal the telephone tax again. 100 years is a long time – but better late than never.

I will also push this fall to encourage the deployment of broadband for the next generation of communications technology.

As you know, broadband is important to rural communities because it puts us on a more equal footing with urban and suburban areas of the nation. It allows us immediate access to new markets. Faster information. Expanded educational opportunities. And even greater health care services.

On health care, for example there was a fascinating TV show last year which discussed “telesurgery” in Canada. It told how a surgeon at St. Joseph’s Hospital in Hamilton, Ontario, assists doctors in small communities, and he does it remotely with robotics technology linked via optical fiber.

The program showed the doctor sitting in one hospital, in front of a surgical console with multiple television monitors around him, allowing him to see an operating room, doctors, and patient, all located 250 miles away. And he actually performed a part of the surgery, and instructed the local doctors in how to do it themselves, by controlling robotic arms located in the operating room.

It may sound like science fiction, but it is real today. This doctor has done it a number of times and has an ongoing program to do in the future. But before he can do it, there must be a good broadband connection in the local hospital. That is just one example of the kinds of very advanced services that are possible through broadband.

Another reason to support broadband deployment is jobs. Over the last few months, we have heard a lot about

the outsourcing of U.S. jobs to low-cost countries. Well, we have our own low-cost areas right here in America, and they are called rural areas. Real estate and overhead and even wages are all relatively cheap in rural America.

And if we have broadband there, then much of the work that is being outsourced to India, Malaysia, and the Philippines can be done in our own home towns.

Last Congress I pushed legislation in the Finance Committee that would allow companies that make investments in high speed broadband deployment to write off 50 percent of the cost in the first year.

I will fight to enact this legislation again in the fall.

Living in a rural community has its advantage. You know your neighbors, your kids play together outside, no front doors have locks, and help is just one phone call away. And by teaming up, and working together, we can make sure that these communities remain a vibrant fabric in the tapestry that is our great state.