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Bresnan Backroom Deal Threatens Jobs, Investment in Rural Montana

HELENA--While New York-based Bresnan Communications has been busy dumping assets in Montana, they've been plotting behind the scenes with Gov. Schweitzer to build a completely unnecessary, taxpayer-funded communications network that threatens jobs and investment in rural Montana.

Governor Schweitzer recently sent a letter to the federal government supporting an application by Bresnan for \$70 million of federal broadband stimulus funding. Bresnan's application is the only application in Montana that received the Governor's support for "full funding" and his "highest priority." The Governor's letter says, unbeknownst to anyone else that he has been working with Bresnan since 2005—shortly after taking office—to develop a plan to link Montana's Tribal Reservations with a fiber optic network.

Trouble is, there already is a fiber optic network linking Montana's Reservations, and points between. In fact, there are several fiber networks serving rural communities throughout the state. So why would taxpayers want to waste their hard-earned dollars on building a completely unnecessary network?

Montana's rural telecommunications providers employ 1,000 Montanans and invest \$70 million every year in building and expanding broadband networks to serve their business and residential consumers, as well as schools, health care providers, emergency responders, Tribal institutions and other key entities. Tribal members are employees of these companies and several Tribal members serve on the Boards of Directors of Montana's rural telephone cooperatives. And of course, cooperatives' customers, including Tribal members, are member-owners of the co-ops. In addition to the rural telecom providers, companies like Vision Net, Sprint, 360networks, AT&T and others have deployed "middle-mile"



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networks that provide broadband backbone connectivity linking communities and end users.

In an October 28 letter sent to the U.S. Secretaries of Agriculture and Commerce, Montana's rural telecom providers unanimously objected to the Governor's secret deal with Bresnan. They reported that the Governor's exclusive endorsement of Bresnan's application, "includes factual errors and mischaracterizes the state of broadband telecommunications investment and deployment in Montana—particularly on Tribal lands. It reaches 'conclusions' which are the result of a lack of due process and a disregard for transparency and accountability. The letter raises conflicts of interest and legal questions regarding Bresnan's willingness to comply with the terms of the stimulus program...If granted, Bresnan's proposal will not stimulate Montana's economy. By duplicating existing networks, the Bresnan application, if allowed, will result in less investment, fewer jobs and economic decline in rural Montana."

A letter sent to the Secretaries of Agriculture and Commerce by the Montana Public Service Commission reaches similar conclusions. The Commission noted that the Governor's recommendation violates "a cardinal rule in competitive grant-making, 'the proposer should never be the evaluator of competing proposals.'"

In justifying his recommendation, the Governor referenced a "White Paper" that had been developed together with (by?) Bresnan. Regarding such "justification," the rural Montana telecom providers noted that they'd never been consulted about the development of the White Paper. There was never any data collection regarding actual broadband deployment in Montana. That process is just beginning now. There was no public participation in developing the Governor's White Paper; i.e., no transparency, accountability or due process.

The Public Service Commission similarly concluded that while the Bresnan/Schweitzer White Paper "eloquently and correctly describes the very real, gripping, and onerous economic circumstances and challenges facing residents of Indian Country, there is nothing in the Bresnan proposal...that



inspires any confidence that those problems will be materially addressed by this \$70 million overbuild of ‘middle mile’ assets.”

In short, Bresnan proposes to waste \$70 million of federal stimulus funds on overbuilding a network that already exists. They offer nothing new. Any jobs or investment gained will come at the expense of the jobs and investment of rural companies already serving the same areas. Why would we want to ask the U.S. taxpayer to pay for building something that already exists?

Under the federal stimulus rules, Bresnan’s application will be judged according to “the level of need for a middle mile network in the area...whether there are middle mile providers already present in all or part of the area [and] what proportion of the network’s users are located in unserved or underserved areas.” The rules further state that middle mile projects “should offer substantial benefits to unserved and underserved areas relative to the costs of providing service.” Not one of these criteria is satisfied by Bresnan’s application.

The broadband stimulus program provides a unique opportunity to bring the benefits of enhanced broadband connectivity to unserved and underserved consumers in Montana, and to stimulate job growth and economic development in areas most in need. Bresnan’s application fails to achieve any of these benefits.

Instead of exploring partnership opportunities with existing broadband providers who have demonstrated their longstanding commitment to Montana by continuously investing in jobs and advanced telecommunications capabilities in our state, the Governor regrettably has opted for a sole-source funding scheme that smells like a backroom deal and fails to meet the greatest broadband needs or provide the greatest possible benefits to the consumers of Montana.

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Contact: Geoff Feiss, General Manager
Montana Telecommunications Association
Helena, Montana
406.442.4316. gfeiss@telecomassn.org



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