



MONTANA
TELECOMMUNICATIONS
ASSOCIATION

April 23, 2010

Greg Jergeson, Chairman
Montana Public Service Commission
1701 Prospect Ave.
Helena, Montana 59601

Dear Chairman Jergeson,

As you know, the federal broadband stimulus program has entered its second phase with the announcement of the Round 2 Notice of Funds Availability (NOFA). Broadband Technology Opportunity Program (BTOP) grant applications have been filed with the National Telecommunications and Information Administration (NTIA) and are now posted on BroadbandUSA. Several of these proposed projects would waste taxpayer dollars by duplicating existing network infrastructure, thereby threatening to discourage long-term investment and sustainable economic development in rural Montana.¹

Consequently, MTA respectfully requests the Montana Public Service Commission again to write to the Administrator of NTIA, as it did in Round 1, to urge NTIA to deny any BTOP applications which would overbuild existing telecommunications networks.

While many of the applications and applicants may have changed between Round 1 and Round 2, the issues have not. If anything, the Round 2 NOFA has exacerbated the problems that were present, and about which the Commission commented, in Round 1. For example, Round 2 rules have diminished the importance of applications seeking to serve unserved areas, and instead have assigned greater priority to applications proposing to build new infrastructure, even where current network facilities already exist.² Such duplication of existing network investment not only is a waste of taxpayer dollars, but it threatens to undermine the ability of existing network providers to recover their substantial investment in Montana's telecommunications infrastructure. Moreover, by removing the largest customers (i.e., anchor institutions) from existing networks,

¹ E.g., University Corporation for Advanced Internet Development (Application ID: 4589); XO Communications (ID: 5601); Ronan Telephone Company (ID: 6355); World Network International Services (ID: 7042); County Executives Telecommunications Initiative (ID: 7108); Native American Development Corporation (ID: 7638).

² National Telecommunications and Information Administration. Broadband Technology Opportunities Program. Docket No. 0907141137-0024-06. Notice of Funds Availability (NOFA). pp. 12-13. "NTIA seeks to focus on Middle Mile projects by adopting a 'comprehensive communities' approach to awarding BTOP infrastructure grants. Under this approach, priority will be given to CCI projects..." While "the application evaluation process will continue to consider additional factors, including, for example, the degree to which the projects will benefit consumers residing in unserved or underserved areas..." the "priority criteria" listed for evaluating CCI projects nowhere mention serving unserved or underserved areas. Rather, it's all about serving anchor institutions with new or substantially upgraded service, regardless of whether anchor institutions have access to, or can leverage existing network providers' facilities.

NTIA's CCI approach will leave Montana's rural broadband providers with fewer, more expensive, customers to serve, forcing broadband providers to increase end user rates on the remaining customers, or to invest less in their networks, or both.

Under the Round 2 NOFA, "NTIA will award grants in three categories of eligible projects: Comprehensive Community Infrastructure (CCI), Public Computer Centers (PCC), and Sustainable Broadband Adoption (SBA). The CCI category will focus on Middle Mile broadband infrastructure projects that offer new or substantially upgraded connections to community anchor institutions...The PCC category will help expand public access to broadband service...The SBA category will fund innovative projects that promote broadband demand..."³ NTIA has allocated about \$2.6 billion for CCI grants. It has set aside a combined total of only \$250 million for PCC and SBA grants.

NTIA has posted a tool on the BroadbandUSA web site for broadband providers to submit information regarding "their service offerings in proposed funded service areas so that the agency may assess the extent to which an area is considered 'unserved' or 'underserved'..."⁴ Montana's rural telecom providers, including middle mile networks and other providers, currently are reviewing BTOP applications and preparing to respond via the NTIA response tool by the May 10, 2010, deadline.

NTIA has suggested that existing network providers can "benefit" from CCI projects which overbuild their facilities.⁵ This assertion fails to account for stranded investment, and stranded consumers, that taxpayer-funded networks would create. Since the vast majority of government funded networks won't go anywhere that isn't already served, what would become of the remaining unserved customers—not to mention the financial obligations that existing networks providers still carry?

Montana's rural telecommunications providers—not including last mile broadband providers and middle mile network providers like 360networks, AT&T, Sprint, Qwest and others—invest over \$70 million annually in deploying and enhancing broadband services in Montana. These companies have deployed over 9,000 miles of fiber facilities, and reach as much as 100 percent of their customers with broadband service. It is the most remote, most expensive to serve areas, often with only a handful of end users, that are most in need of broadband deployment.

According to the Federal Communications Commission, "200 million Americans—95% of the U.S. population—live in housing units with access to terrestrial, fixed broadband infrastructure capable of supporting actual download speeds of at least 4 Mbps.

³ National Telecommunications and Information Administration. Broadband Technology Opportunities Program. Docket No. 0907141137-0024-06. Notice of Funds Availability (NOFA). p. 8.

⁴ See "SUPPORTING STATEMENT." U.S. Department of Commerce; National Telecommunications and Information Administration; Broadband Technology Opportunities Program; comprehensive Community Infrastructure, Public Computer Center, and Sustainable Broadband Adoption Applications Requirements. OMB Control No. 0660-0031. April 1, 2010. http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201003-0660-001

⁵ Joelle Tessler. (AP) "Fed-funded Broadband: Who really benefits?" April 11, 2010. http://seattletimes.nwsourc.com/html/business/technology/2011579009_broadbandstimulus12.html

Meanwhile, 14 million people [5% of Americans]...do not have access to terrestrial broadband infrastructure capable of this speed...Ninety-six percent of all business locations have access to...DSL service, and 92% have access to cable broadband service...99% of all health care locations...have access to actual download speed of at least 4 Mbps...97% of schools are connected to the Internet.”⁶ Moreover, continued investment in broadband networks by a variety of providers makes it “**likely that 90% of the country will have access to advertised peak download speeds of more than 50 Mbps by 2013.**”⁷ (emphasis added.)

The National Broadband Plan further states “nearly two-thirds of American adults have adopted broadband at home.”⁸ And “ninety-five percent of America’s small and medium sized businesses have adopted broadband.”⁹ As the data attest, the most significant gap in broadband penetration is not one of infrastructure, but of adoption. And yet, NTIA, whose principle statutory directives under the Recovery Act are to bring broadband to unserved and underserved areas, instead has focused on CCI projects, which threaten to duplicate existing networks—to the detriment of continued investment and sustainable economic development in Rural America.

MTA suggests a far better use of broadband stimulus funds is to focus instead on areas where funding is most needed: unserved areas, and broadband adoption.¹⁰ In this regard, MTA has no objection to last mile applications under the RUS/BIP program or certain PCC and SBA applications under NTIA’s BTOP program that increase demand for broadband service by *leveraging existing network facilities*.

Given the substantial past, present, and future investment of existing broadband network providers, and given the potentially disastrous private and public consequences of overbuilding existing network infrastructure with taxpayer funds, MTA again respectfully requests the Commission to urge NTIA to deny Round 2 BTOP applications that duplicate existing network infrastructure investment in Montana.

Respectfully submitted,

/s/

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cc. Commissioners Toole, Molnar, Gutsche, Vincent
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⁶ *Connecting America: The National Broadband Plan*. Federal Communications Commission. March 16, 2010. pp. 20-21.

⁷ *Id.*

⁸ *Id.* p. 23.

⁹ *Id.*

¹⁰ *Id.* p. 167. “While 65% of Americans use broadband at home, the other 35% (roughly 80 million adults) do not.” The least likely to subscribe are less educated (24% adoption rate); older Americans (35%); low income (40%) and people with disabilities (42%).