



MONTANA
TELECOMMUNICATIONS
ASSOCIATION

October 9, 2009

The Honorable Brian Schweitzer, Governor
State of Montana
Office of the Governor, Montana State Capitol
Helena, Montana 59620-0801

Re: American Recovery and Reinvestment Act of 2009—Broadband Stimulus

Dear Governor Schweitzer,

The Montana Telecommunications Association (“MTA”) represents both shareholder-owned commercial and customer-owned cooperative rural telecommunications service providers offering advanced telecommunications services to our State’s residential and business consumers. Collectively, Montana’s rural telecom providers employ more than 1,000 Montana citizens, invest over \$70 million annually in capital expenditures and a similar amount on operating expenditures, including pay and benefit packages that significantly exceed statewide norms.

Montana’s rural telecoms have deployed more than 9,000 miles of fiber optic infrastructure, frequently pushing broadband access to the edges of their networks. Several companies have formed a consortium, VisionNet, which provides middle-mile fiber backbone transport, videoconference, remote monitoring, broadband Internet access and other advanced services throughout the state as well as for clients across the nation. VisionNet operates over 200 videoconference facilities in Montana that enable distance learning, telemedicine, commercial and government teleconferencing, thereby enhancing health care, education, business and government opportunity for Montanans. Moreover, in conjunction with CenturyLink, the rural telecoms of Montana have deployed one of the most sophisticated E-911 networks in the nation used by two-thirds of Montana’s emergency service access points.

The Recovery Act established the Broadband Technology Opportunity Program (BTOP), administered by the National Telecommunications and Information Administration (NTIA), and the Broadband Incentives Program (BIP), administered by the Rural Utilities Service (RUS). NTIA and RUS jointly released a Notice of Funding Availability (NOFA) in July, 2009, inviting parties to file applications for grants and/or loans under the BTOP and BIP programs. The Recovery Act also affords states a consultative role with regard to BTOP applications. In this regard, the NTIA Administrator in an undated letter (ca. September 22, 2009) invited governors to comment on broadband grant applications for projects in their states. The letter indicated that governors “are not required to rank or comment on BTOP applications [but] may choose to comment on some but not all applications. It is NTIA’s intent that BTOP funds will support projects that meet the greatest broadband needs and provide the greatest possible benefits in your state.”

The principle goal of the broadband stimulus program is the deployment of broadband access to rural, unserved and underserved areas. Given the obvious deep commitment to investment in Montana's broadband telecommunications infrastructure, economic development and community welfare illustrated by Montana's rural telecom industry, it is disturbing to see so many applications for federal broadband stimulus funds alleging to provide broadband services to "unserved" and "underserved" areas of Montana, when these areas in fact already are served by Montana's telecom providers. Such applications neither will create jobs nor promote economic development in Montana.

For example, Bresnan Communications proposes to use \$70 million to build a 1,885 mile broadband network connecting Montana's Tribes and substantially duplicating broadband infrastructure deployed by VisionNet, AT&T, 360networks, Qwest, Sprint and Montana's rural telecommunications providers. Interestingly, Dakota 2000 also proposes a project to connect all the Tribes of Montana, as well as North Dakota, and South Dakota for \$132 million. DigitalBridge Communications proposes to spend over \$9 million to provide "last mile broadband for underserved portions of" 19 Montana counties in which existing broadband providers operate. Rural Broadband, LLC, seeks \$8 million to provide services in 14 counties where it admits broadband service already is provided. Flow Mobile seeks over \$3 million in loans to provide broadband service in 11 Montana Communities with existing broadband service. And so on.

It's no wonder, therefore, that the first round of broadband stimulus applications far exceed available funds. The Recovery Act appropriated \$7.4 billion in grants and loans for broadband deployment in unserved and underserved areas. The first tranche of funding availability generated 2,200 applications, proposing to spend \$28 billion. NTIA and RUS haven't even opened the second tranche; and it's doubtful there will even be a third round as once contemplated.

In the case of middle mile projects, such as those proposed by Bresnan and Dakota 2000, the NOFA states that applications "will be scored on 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." (p. 67.) The NOFA further states that middle mile projects "should offer substantial benefits to unserved and underserved areas relative to the costs of providing service." (p. 42.) These criteria are not satisfied by Bresnan or Dakota 2000.

Another goal of the Recovery Act is "a commitment to transparency in the award process and rigorous reporting requirements [to] help ensure accountability." NOFA, 8. However, posted information on broadband grant applications is difficult, if not impossible for the public to see. And the mapping tool that more recently has been posted for public scrutiny and comment is of little additional help. Thus, public "due diligence" comments, invited by the broadband program, are difficult to render given the lack of transparency in posting applications. For example, Bresnan's application summary is heavily redacted. So is DigitalBridge's. Dakota 2000 and Flow Mobile provided no summaries at all. This lack of transparency does not engender public confidence. At a minimum, all project summaries should be made available for public scrutiny.

MTA's member companies plan to file responses on individual grant applications, pursuant to program rules, indicating specifically where and how broadband applicants' assertions are erroneous, particularly with regard to unserved and underserved areas. These responses are due by October 28, 2009.

Contrary to the goals of the Recovery Act and the Broadband Stimulus Program, the duplication of infrastructure—at taxpayer expense—fails to meet the “greatest broadband needs and provide the greatest possible benefits” in our State. Instead, many projects, if granted, threaten to waste taxpayer dollars and divert traffic and revenue from existing infrastructure providers. Any jobs “created” by such duplication of effort would come at the expense of current jobs held by Montana's rural telecom providers and other industry participants. Earning a viable return on investment in Montana is precarious at best, as a result of the extremely high capital expense of building and operating an advanced telecommunications infrastructure combined with low population density. Overlaying existing infrastructure with taxpayer-funded duplicative networks threatens existing returns and discourages future investment. It is hard to imagine how such duplication promotes jobs or economic development when it comes at the expense of Montana's own existing telecommunications infrastructure and the Montanans who make such investment work.

MTA strongly recommends that you do not endorse any broadband infrastructure grant applications in Montana that threaten to duplicate existing broadband infrastructure in the name of serving “unserved” or “underserved” areas that in fact are already served by existing infrastructure providers.

I am happy to meet with you at your convenience to discuss MTA's concerns in greater detail. Please let me know if there's anything MTA or I can do for you.

Respectfully,

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cc Hal Harper
Dan Villa
Evan Barrett

Attachment: Map of rural telecom service areas and broadband/fiber infrastructure.
(NOTE: the map is “dated” and will be updated by the end of the month. Also, please note that the fiber routes included on this map do NOT include other providers networks, such as AT&T, Sprint, 360networks, Qwest or others.)