

Mid-State Consultants, Inc. has been offering telecommunications engineering services for over 37 years. During that time we have seen numerous changes in the industry and have always appreciated the role of the RDUP. We have very much appreciated the RDUP's efforts to convey project requirements and proposed changes to the consulting engineers, through contract workshops and RDUP participation in forums such as last year's ACE meetings. The following are our comments to the proposed changes to the Rural Broadband Access Loans and Loan Guarantees:

Funding area restrictions in comparison to revenues

We applaud efforts to prioritize RDUP loan funds for truly rural areas, and areas without competitive broadband providers. However, we are concerned that the revenue sources required to repay extremely rural (low subscriber density) loans either are not sufficient or are not considered stable enough to entice service providers to borrow the funding. We hope that any significant revisions to the RDUP programs will be tied to revisions in the USF and settlements mechanisms.

We believe the fact that the RDUP has not been loaning out all of the funds available is evidence that financial feasibility of broadband deployments is perceived as high risk even within the areas that now qualify for funding.

We recognize that various agencies and organizations are continuing to work towards rural support mechanisms that are acceptable for both the paying and receiving companies. Our impression is that rural telecommunications service providers feel that the current funding support is sufficient for basic voice services, but the impact of deploying broadband services via the same facilities and the uncertainty as to what the support might be in the future imperils any investments that require an extended payback period.

In other words, service providers feel a need to use deployment in less rural areas to anchor or subsidize deployment to more rural areas.

The definition of broadband, and wireless services

We believe that a number of the proposed loan requirements may result in a subtle, non-explicit preference for comparatively low-quality wireless deployments. We do not think this is the intent of the proposed revisions. The following is intended to explain our concerns:

The definition of Broadband services has not been changed within the life of the broadband program. From our point of view, 200 kbs is not sufficient for true broadband access to modern services. Under this standard, some comparatively low-quality wireless offerings would theoretically qualify as providing broadband. Applicants proposing these types of systems could obtain RDUP funding, thus precluding other service providers from providing true broadband to the areas (either because they cannot receive RDUP funding or because of the perceived risk of too many service providers chasing the few rural subscribers).

The proposed changes to the marketing data requirements seem to favor a wireless solution in the sense that low-quality wireless solutions may have a low up-front capital expense, and thus may require a lower service penetration for payback and will not require extensive marketing data in the loan application. We believe accurate marketing data would reveal that a low bandwidth low availability wireless solution would not be attractive to the majority of rural residents. In that sense, more marketing data should be required for solutions that cannot show high bandwidth and high availability. For comparison, numerous municipal Wi-Fi deployments are struggling with reliable coverage and the realities of extremely low throughput in comparison to the theoretical bandwidth, and the costs for deployment are significantly rising. Additionally, few if any of these Wi-Fi systems can support voice or video services, which obviously need to be considered in order to provide the complete package of telecommunications services.

More robust wireless solutions require additional capital expense and operating expense, which then increases the costs and timeframe for applying for a loan because of the additional marketing expense and higher equity requirements.

We believe there are a number of high-quality wireless solutions now available and new applications are being developed, and we hope that the program will continue to emphasize true broadband deployment.

Marketing requirements

We understand the need for marketing data and competitive analysis of the proposed areas. We hope that the RDUP can quantify the necessary data and the sample sizes, especially for applications that cover several demographically similar areas.

We have been concerned that the data requested in the broadband loan application guide raises right-to-privacy concerns and that some of the data requested is not specifically germane to financial feasibility, or to determining the extent of existing broadband services. We appreciate the efforts of several people working within the program to provide preliminary review of proposed marketing efforts.

Other Issues and suggestions

We feel that many of the sources of frustration with the RDUP programs are due to a lack of sufficient personnel within the RDUP. Assuming the obvious solution won't be a possibility any time soon, we have some descriptions of concerns and a few suggestions:

Many of the potential applicants for broadband loans are not independent telcos and do not have a history with the RUS conventional loan program. Many of these entities feel stymied by the loan process and the post-loan contracts approval process. They feel there is a lack of transparency in the process and a resulting lack of apparent responsiveness. Several of the projects proposed and approved include aspects that do not fit smoothly into historical RUS procedures, and the timeframes for specific items become critical. We have had several

applicants and loan recipients tell us that they would have sought other sources of funding if they had known what they would experience. Thus, our suggestions:

- Before we submit a loan application we strive to involve the GFR, initially as a kind of ‘sanity check’ to see if the proposed projects are acceptable and then to review the actual submittal. We very much appreciate their input. It is critical that the GFRs are quickly brought up to speed with any changes in the program requirements and procedures. For loans with unusual circumstances it would be very helpful if we could arrange a similar review or conference call with staff in Washington DC, before final assembly of the loan package. We could potentially submit a project and applicant synopsis including the project intent, applicant structure, proposed marketing data collection, etc.
- When a loan package is submitted it would be very helpful if we received a response stating that the package has been received, to whom it has been assigned, etc. We recognize the realities of RDUP staffing constraints and the inability to give firm deadlines for when a project will be reviewed, but it would be extremely helpful to know details such as if the loan application is near the top of the pile or behind eight prior submittals.
- We think the review process could be made more efficient for all involved if the reviewers would contact us and the applicant for a very quick discussion as the loan is being reviewed. We think this would make it much easier and quicker for the reviewers to gain an overall picture of the proposed projects and the applicant’s structure.
- Once a loan has been approved, provide specific project authorization responsibility to the GFRs, potentially in conjunction with a supervisor that has extensive field project deployment experience.
- Provide engineering authorization for contracts, similar to the notification that a loan application is deemed complete, allowing the small contract details to be completed without delaying project implementation timelines.
- Work more interactively amongst the combination of experienced consulting engineering firms, the GFRs and personnel in Washington DC. This might be expedited through a standardized, simple project tracking scheme, especially as the number of ongoing current projects and contracts continues to rise.

We appreciate the efforts of the dedicated RDUP telecommunications staff and look forward to the continuing success of the RDUP in helping to bring voice and broadband services to rural America.