



CITY OF BLUEFIELD

Nature's Air Conditioned City

Michele Brooks
Acting Director
Program Development and Regulatory Analysis
USDA Rural Development
1400 Independence Avenue
STOP 1522, Room 5159
Washington, DC 20250-1522

RE: Proposed RUS Broadband Rule Changes

Dear Ms. Brooks:

I am writing to express my concerns about current rulemaking at the Department of Agriculture to refocus the RUS Broadband Loan Program in a manner that will actually be detrimental to rural American communities in need of broadband communications in order to compete in our global economy and improve our standard of living in a modern society. The purpose of the Broadband Program was to facilitate the development of 21st century infrastructure in rural America. These programs are essential to America's culture and economy. Rural Americans need the active support of the federal government to address this issue. This is very important as our country continues to lag behind the rest world in true broadband deployment. In a modern society, broadband is the most important line to a home, farm or business just as the highways, electric power and trains were to the last generation. The American citizens living in smaller communities deserve the benefits of broadband as much as those in the larger cities to conquer the time and distance to other markets, services and information.

While the proposed changes will impact the program in many ways, there are three key areas (or themes) of concern which I would like to address:

1. The current rules and loan review process are already burdensome enough
2. Further restricting eligibility will eliminate the reality and threat of competition
3. Discrimination against new entrants favors the incumbent providers and legacy networks rather than new investment

The current eligibility rules for broadband loans are already very restrictive with the current limits and complex loan review process. The current limitations on funding cities with populations larger than 20,000 eliminates the top five cities in West Virginia which is ranked as the 48th worst broadband and telecommunications state in the US. The proposed rules would significantly restrict the eligibility of over half the state from even applying for a loan, despite the fact that the largest incumbent invested less than \$60M per year over the last five years in capital assets in the entire state per their PSC annual filings. The reality of competition between the cable and telecommunications incumbent providers in rural America is very different than in the major metropolitan markets. From a rural community perspective we need to have affordable high quality broadband access to many service providers rather than just one or two large companies that control the pricing, services and access to services. Having worked over the past several years with the incumbents and new providers, it is clear that a viable broadband network in rural America will require low cost loans, guarantees and grants to attract and leverage commercial investment due to the scale and inherent business risks in communities less than 50,000. This is rural America.

It is understandable that the incumbent cable and telecommunications companies would prefer for the RUS to not invest except in the smallest and most rural service areas, but the Americans that live in rural communities are at a significant disadvantage without the investment in broadband in their communities. This was the intent that Congress had when it created the program to encourage investment in rural America with RUS loans, guarantees and grants. The proposed rule change to limit eligibility to only those communities under 20,000 in population that the Census Bureau classifies as "Rural" is abandoning communities like ours to legacy network providers unable or unwilling to invest in new 21st century infrastructure as it is not in their commercial interests and may not be for the next decade or so. A review of the 2000 Census data reveals that 53% of all West Virginia communities (less than 20,000 in population), including Bluefield and other communities in Mercer County, are ineligible. With the state ranked 48th worst in the country, the proposed restrictions just do not make good policy or sense.

The discrimination against new entrants in the proposed rule changes is a theme that passes through a number of the propositions. The efforts to minimize potential competition to the incumbent service providers will likely result in perpetuation of the status quo, and my communities continuing with sub-standard communications infrastructure. RUS Broadband loan to support improvements in existing incumbent services would be a short term solution to rural communities' broadband needs. The threat of new entrants offering state-of-the-art technologies which will be capable of meeting the communities' needs into the future is essential to any hope of bringing new competition and broadband speeds above the 1Mbps for users.

I urge the RUS Broadband Program to reconsider the needs of rural communities as a priority over the pressure from incumbent lobbying to restrict investment in their service areas. We encourage the RUS to adopt rules which will enable such communities to enjoy the benefits of the Program, encourage the deployment of high quality low cost 21st century broadband infrastructure, and encourage real competition of broadband high speed access for rural America. We would also encourage the expansion of the program to include more grants to the smaller communities in partnership with other interested parties and expansion of loan guarantees to broadband access providers to further leverage commercial money by lowering the inherent business risks of new construction and startup of new providers and technologies.

Sincerely,

Mark R. Henne

Mark R. Henne
City Manager
City of Bluefield