



July 10, 2007

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

Rural Broadband Access Loan and Loan Guarantees
RE: Docket No. RUS-06-Agency-0052

Dear Ms. Brooks:

The Western Telecommunications Alliance (WTA) submits the following comments in response to the Rural Utilities Service (RUS) proposed rule for the Rural Broadband Access Loans and Loan Guarantee Program (Docket No. RUS-06-Agency-0052) published in the *Federal Register* on May 11, 2007. WTA supports the efforts by RUS to develop effective regulations for the administration of this program so that broadband providers can continue the important work of bringing high-speed broadband access to rural America.

WTA is a trade association representing more than 250 rural, independent local telephone companies located in all 24 states west of the Mississippi River. WTA member companies serve some of the most rural, high-cost, and hard-to-serve areas of the country. Many WTA member companies are RUS borrowers, both of the Telecommunications Loan Program and the newer Broadband Loan Program. RUS has maintained a longstanding tradition of providing loan funds to bring state-of-the-art telecommunications infrastructure and services to rural America. A strong and stable RUS Broadband Loan Program can continue this tradition and assist service providers so that American consumers in rural areas have access to the same communications services as those in suburban and urban areas.

The majority of the proposed changes to the rules are prudent and justified. In particular, the requirement of a three-year build out and the ability of the Administrator to waive an audit in the year in which the loan is approved if operations have yet to be started are applauded. However, there are several areas in which WTA recommends revisions.

Updating the definition of broadband

The definition of what constitutes broadband is something that must change as technology improves. The current definition of broadband at 200 kilobits per second is generally agreed to

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be inadequate for many applications. However, if the proposed rules go into effect, several broadband service providers that provide the bare minimum of 200 kbps would be able to prevent a competitor with an RUS broadband loan from entering their service territory under the definition of *eligible rural community*.

WTA recommends either raising the minimum speed determined to be broadband (perhaps somewhere between 1 to 10 megabits per second) or providing a waiver process by which the RUS Administrator can determine that the broadband provided by the incumbent is not adequate to meet the needs of consumers in the 21st Century. A waiver process would allow a broadband provider to obtain an RUS loan despite the presence of an incumbent provider that may only be providing a minimum level of broadband, such as 200 kbps.

Administrative Burdens

WTA is concerned that current administrative hurdles deter many companies from applying for broadband loans. Several WTA member companies have commented they have sought loans elsewhere, despite higher interest rates, simply because the RUS application process is too burdensome. Underutilization of the program may send a signal to policymakers that there is a lack of interest in broadband loans, which is not the case.

With that in mind, RUS borrowers would also benefit from quicker turn-around on loan applications. Waits of a year or more are not uncommon. This delay discourages use of the program. A 180-day deadline on application processing would ensure a borrower and consumers are not kept waiting for an unreasonable amount of time.

WTA also recommends an expedited loan process solely for existing borrowers seeking to provide broadband that would allow for distance learning, telemedicine, and more advanced business applications. A streamlined applications process would encourage this technology. RUS should exempt borrowers from the requirements of sections 1738.31(a), 1738.33, 1738.34, and 1738.35 as in the telecommunications loan programs.

In addition, RUS should reduce reporting requirements. An existing RUS borrower in good financial condition should be exempt from quarterly reporting requirements and instead be subject to an annual audit and Form 479 report. An audit should also be waived if the Agency already requires a consolidated audit from a parent company of the applicant.

For publicly traded companies with an established credit rating, an alternative certification process could be developed based on a company's Moody's or Standard & Poor's grade. This would reduce the complexity of the application process for both the borrower and RUS. Furthermore, if borrowers are required to undergo audits for other purposes, and those audits meet RUS criteria, it would be more efficient for RUS to substitute the third party audit for an additional RUS where possible.

In sum, there is much RUS could do to encourage more broadband providers to apply for loans and to make that process more efficient.

Reaching unserved and underserved areas

WTA recognizes that priority for loans should go to unserved areas in accordance with The Farm Security and Rural Investment Act of 2002 (the "2002 Farm Bill"). But at the same time, WTA members understand it is difficult to make a business case for building out solely in areas with no existing service providers. RUS should provide flexibility to borrowers to encourage them to reach unserved areas, and the proposed rules go a long ways towards allowing for this. That being said, WTA recommends several modifications to the proposed rules.

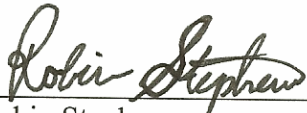
Sec. 1738.61(a)(1) makes first priority applications for service areas where no broadband access or broadband from only one service provider is available. The 2002 Farm Bill states that first priority should go to "eligible rural communities in which broadband service is not available to residential consumers." WTA recommends RUS amend the proposed rules to adhere to the statute and prioritize areas with no service providers ahead of areas with one service provider. In addition, WTA recommends prioritizing applications that propose to provide broadband capable of distance learning, telemedicine, and advanced business services to their communities over those that propose to provide speeds at the bare minimum of the definition of broadband as it currently stands. It is important to invest in these high-speed networks so that rural America can have access to these important services to the same extent Americans living in urban areas have access to them.

Legal Notice

Sec. 1738.33 of the proposed rules adjusts the requirements for legal notices. WTA supports requiring the publication of a legal notice on the Agency web page but a notice should also be sent to all existing Broadband Loan Program borrowers in the proposed service territory so that competition between RUS borrowers can be prevented.

In conclusion, the RUS Broadband Loan Program is a vital tool to bring broadband to rural America. Reducing the burden for applicants while ensuring the regulations keep pace with modern technology and the demands of consumers will go a long way to ensure the program remains relevant to borrowers. WTA and its member companies appreciate this opportunity to contribute to the process.

Respectfully submitted,



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