



**United States Department of Agriculture  
Rural Development**

March 24, 2010

The Honorable Greg Rohde  
317 Massachusetts Avenue, SW  
Suite 200  
Washington, DC 20002

Dear Greg:

Thank you for your letter transmitting a proposal on behalf of your client, Hughes Network Systems, regarding the Rural Utilities Service (RUS) Broadband Initiatives Program's proposed funding for satellite broadband service as part of the American Reinvestment and Recovery Act (Recovery Act).

As you are aware, we are currently drafting the requirements for the Request for Proposals (RFP) as prescribed in the Notice of Funds Availability (NOFA) published in the Federal Register January 22, 2010 (FR 3820, Volume 75, No. 14, Notices). The proposal you articulated in your letter envisions a joint application from a consortium of satellite providers that would propose to cover all service area regions identified in the NOFA. In addition, a third party "funds manager" would be established to administer the advance funds throughout the members of the consortium. This proposal seeks to obtain efficiencies by reducing the number of applications the agency would receive through the receipt of a single, collaborative application and through the creation of a third party funds administrator responsible for administering payments to the consortium members.

The Recovery Act and guidance from the Office of Management and Budget has indicated that the application process for Recovery Act funds must be as transparent and competitive as reasonably possible. In response, the agency is establishing a competitive, open process for the funding of satellite broadband service. Under this process, eligible entities submit competing proposals to provide service to subscribers without terrestrial broadband service throughout a region or regions of the country. This will enable the agency to select applications that provide the most cost-effective means for providing affordable broadband service to unserved residents and businesses.

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The concern the agency has with the proposal contained in your letter is that it would establish a process through the creation of single consortium application that would limit the number of competitive applicants received by the agency. This could lessen the beneficial effects of a competitive environment, which drives down consumer costs and offers the greatest choice to individual subscribers. Further, the proposal for an independent funds manager provides a “disconnect” for the agency from its responsibilities under the Recovery Act and other requirements to ensure that applicable reporting, auditing, and accountability standards are followed. Specifically, the agency enters into security and reporting requirements with the service providers themselves, not an overseer entity in which there would be no ownership of the assets financed. Likewise, the third party funds manager presents problematic concerns. For the same reasons, in its other programs, the agency does not make loans or grants to “holding companies” that are not actual service providers.

As an agency that administers its programs in a technology neutral manner, we are excited about the role that satellite broadband service can play in rural America and its capability to serve some of the most isolated and unserved areas of the country. Ubiquitous broadband coverage is a goal that can only be accomplished through the deployment of a variety of technologies capable of interconnecting every resident and business, school and hospital, and other critical community facilities that request access.

We hope this response is helpful in understanding the approach the agency has outlined and plans to pursue under the NOFA. Your submission has been posted on the [broadbandusa.gov](http://broadbandusa.gov) website, in accordance with my open letter dated February 23, 2010, so that other interested parties may benefit from your suggestions and proposals. Thank you for your interest in our programs and in providing broadband to rural America.

Sincerely

A handwritten signature in black ink, appearing to read "Jonathan Adelstein". The signature is fluid and cursive, with a large loop at the beginning.

Jonathan Adelstein  
Administrator  
Utilities Program