Roundtable on Selection Criteria and Weighing Priorities
March 17, 2009, 8:00 — 9:30 p.m.

MS. VERNATTER: Good evening. My name is Kay Vernatter. I am the Acting State Director for USDA Rural Development. It is my pleasure to welcome you to Las Vegas, Nevada, and a special welcome to everyone that's listening live on the Internet and everybody that is on the teleconference this afternoon.

It is my pleasure to introduce to you Mark Seifert, the Senior Advisory Assistant to the Secretary of Commerce. Thank you.

MR. SEIFERT: It's times like these that my grandfather Ignatius Loyola Mulvaney would say, happy Saint Patrick's Day. Being half Irish, I thought that was important that we start this off in the right spirit.

Tonight's panel, the last panel for tonight, is going to be a panel where we discuss how you tell us how we should judge all these applications. And to me, this is one of the most important panels we'll have. And I think for me it seems to be the most difficult because we have so many different things that we have to try and figure and achieve, according to the congressional statute.

So let's first start off with our panelists. We have Jason Lazar, with KeyOn Communications. Jason Lazar is co-founder and Vice President of Corporate Development and

General Counsel for KeyOn Communications Holding Inc., one of the nation's largest providers of wireless broadband to rural and underserved markets.

Next we have Ed Anderson, who is the Director of Network Services for Nevada System of Higher Education. He currently operates and maintains over 1,000 route miles of state-sponsored fiber-optic backbone infrastructure in Nevada on behalf of the Nevada System of Higher Education, the Nevada Department of Transportation, and the Nevada Department of Information Technology.

Next we have Don Jackson with Tri-County Telephone in Basin, Wyoming. For the -- Don has had a career in telecom that spans 45 years, and it began as his employment -- with his employment as a coin collector for Mountain States Telephone and Telegraph Company. For the last nine years, Mr. Jackson has been employed by the Tri-County Telephone Association, T.C.T. West, located in Basin, Wyoming, the company serves customers in neighboring communities as well as sparsely populated areas of southern Montana using wireless Internet connections.

Our next panel is Catherine Moyer of Pioneer Communications, located in Ulysees, Kansas. Ms. Moyer is the incoming chairperson of the Organization for the Promotion and Advancement of Small Telecommunications Companies, commonly known as OPASTCO. She's also a member

of the Western Telecommunications Alliance, or WTA's, Public Policy Committee, and a member of the National Telecommunications Cooperative Association Legal Committee.

Last, tonight, we have Mark Feest who is the Director of External Affairs for CC Communications in Fallon, Nevada. He is responsible for the company's legislative and regulatory initiatives and compliance as well as intercarrier relationships. He is also the wireless project coordinator and has recently been tasked with the company's efforts to increase capacity to the Internet gateway in an economically sustainable manner.

And so now, panel, I'm going to ask you to take approximately five minutes -- and I'll start to clear my throat and tap the microphone if you go much longer than that -- and give us your view of how your government should spend your tax dollars in deciding how to award proposals. And I want you to take as an assumption that we're going to get many more proposals than we have money to fund. And so we're looking to you for -- suddenly you find yourself in our position. How would you in a competitive way rank proposals one over the other to decide how we should spend the money? And we'll start with you, Jason, if that's all right. Thank you.

MR. LAZAR: Good evening. I would like to thank the NTIA, the RUS, and the FCC for coordination of this field

meeting in furtherance of the broadband initiatives of the American Recovery and Reinvestment Act. I'm truly appreciative for the opportunity to participate as the list of candidates was undoubtedly long.

I'm here on behalf of KeyOn communications. We have been delivering wireless broadband to rural and underserved markets for over five years, and many of the goals of the NTIA and RUS programs are consistent with KeyOn's mission. Despite much of the turmoil in the capital markets, this is an exciting opportunity. History will prove that the broadband initiatives of ARRA will be a watershed event in the industry, particularly in relation to deployment of networks in underserved, unserved, and rural areas.

And so the members of NTIA and RUS have a challenging task. They have to answer what is a $7.2 billion question. How and to whom are they going to administer these funds so that the stimulus capital, our capital, is spend effectively and efficiently in furtherance of the stated goals. These agencies will be reviewing a Wide range of proposals that will ultimately result in an apples to oranges to pears comparison, and they will have to make those tough decisions.

So one of reasons we're here is to help answer the question: What factors should be answered considered in establishing the selection criteria? And while the answers

will be the result of intense discussion, I would like to offer some guiding principles that will help with the task at hand.

Critical to success is the creation of a comprehensive grading scale that can be used to measure both quantitative and qualitative characteristics across applications. Create a tool to help evaluate within the proper context and not in a vacuum.

Flexibility. Flexibility — you not only consider the merits of a proposal in terms of its viability and likelihood of success, but also an evaluation of the applicant itself. Is this applicant credible? Can it do what it says?

Speed. How quickly can this project be deployed? Consistent with the notion of stimulus, projects that can be commenced and completed swiftly should be prioritized. Is a particular proposal broad or narrow in scope -- in terms of the act's specific goals? While neither should be precluded, the criteria need to be flexible to address both types.

And finally, keep your eye on the ball with respect to the goals. This is about broadband deployment, broadband penetration, and job creation. Make sure that this is where the funds are going. Again,

I appreciate the opportunity to be here, and I look

forward to an interesting discussion. Thank you.

MR. ANDERSON: Again, my name is Ed Anderson, and I have spoken a little bit here tonight already. And I want to thank all you stalwart people who have managed to sit through this lengthy session here. But at any rate, let me get started.

I am representing the State of Nevada, its entities, the Nevada System of Higher Education, the Department of Transportation, and the Department of Information Technology. We've been working together to provide broadband to support higher ed, both K-12 and -- distance education, higher ed and K-12 communities, rural health care, public safety, transportation, and numerous other government entities. We have been pretty successful. We've been doing this for ten years or better, at least on the fiber broadband level, and a lot longer than that on just the basic telco T-one level type of service.

We have been pretty successful at it for a few reasons, and I hope that we might be able to explain some of those and have those be factored into some of the decision-making here. One of them is we've been pretty targeted. We've talked a lot -- we've heard a lot tonight about some of the measures -- served, underserved, et cetera -- and how we measure who gets what. We've been targeted to the entities I've talked about which, are very

structured markets with definable achievements and success indicators. So for that reason we've been able to achieve successes in areas that we feel give us the biggest bang for the buck in those areas of schools, health care, et cetera. We're providing those capabilities to rural areas and affecting very many lives in that.

We've leveraged our assets. We've worked collaboratively on a lot of these projects to whatever -- whenever we happen to get a grant or some money that we didn't expect or -- and some of the times, we did plan for it. And a lot of times, it's not just the money. It's facilities, it's land, it's whatever it takes to make these things happen. So we've been very successful in leveraging those assets.

We're also committed long-term support. The sustainability question has been asked over and over again here. And I would bring it up again if I had the time. But the fact that we're here for the long haul and we're not necessarily profit driven has allowed us to go where others have not gone so far.

So getting down -- I've got my two minute warning here. So getting down to what I think we should do, I would hope, because of these successes, that part of the application process, some form of target market access -- and we've talked about this. I assume this is going to

happen because it's been high on everybody's list. We're not just going to deploy stuff because it's not there. We're not going to -- I hope a bunch of the telcos aren't going to look at their map and say this area is going to get it because it doesn't have it, without any kind of market analysis or anything that would indicate what sort of potential viability for sustainability there would be. So I would hope that that would be part of a requirement, is to show some sort of a path toward sustainability.

I would also hope that while it's desirable to partner and leverage with commercial service providers, that it wouldn't be a requirement. Like I said, we've been successful as a private network in targeting specific areas and providing quite a bit of service for -- and again this "bang for the buck" concept. So, again, I would hope that this wouldn't be a requirement.

There's also this issue of open access to other and competitive -- competitive access. I would hope that -- for several reasons and a lot of experiences, I would hope that you would encourage pretty strict guidelines with regard to ILEC and LEC access — equal access requirements, and there would be severe penalties for denial or delay in providing requested equal access, that there would be a pretty strong thing there.

As far as weighting factors go, again I would -- it is

my recommendation that the projects demonstrate a greater contribution to the overall good. Merely numbers of homes connected to broadband, for example, schools, libraries, health care -- these are the kind of facilities. Middle-mile stuff is also going to help the last mile. If you have a middle mile that cuts down the distance associated with last mile, you've helped both. If you just add last mile, you haven't helped the situation, you have only made it worse for the middle mile.

Last in my mind -- or secondly, the number of jobs that we're going to be potentially creating here has to be factored in here somehow, both directly from increase in the service providers and the jobs associated with that as well as the jobs that the broadband facilities create. So we have to factor in some sort of job estimates.

And finally, the last of my priority would be – you're going backwards here. Give me more time.

(Laughter.)

Last of my priority would be blanket broadband deployment for the reasons I said. It's hard -- it's very -- it's inefficient and it's very hard to monitor its success. So with that, I will turn it over.

MR. JACKSON: Thank you. My name is Don Jackson from Tri-County Telephone in Basin, Wyoming. Obviously, we consider this a critical thing. There are two things that

dictate economic success and, correspondingly, the economic well-being of citizens. One is transportation and the other is communications. And to see the emphasis coming in the area of communications, particularly in the rural areas, is not only welcome but a daunting task for those who have to administer that. I admire it and pledge to help every way we can to make it successful.

Looking at the criteria, if I were I think sitting there attempting to judge the applications that will come in, I think I would try and look at first five things. And these five things I suppose might be turned into something you could weight or score in some way, shape, or form. I haven't tried to do that. But I think that there is a ratio that could come out of this that means something in terms of evaluation.

The first is consumers. How many people are going to be affected by what we're doing here? Whether it's the provision of broadband service to a group or individuals which is what I targeted here. How many are we going to affect?

And the second thing is at what cost? What's it going to cost? And this gets to the "bang for the buck" term that I've heard thrown around. As I read the statute, as I have listened to people in these last three sessions, it seems that that is a target and probably should be woven

into this equation.

Coupled with consumers and their cost, what is going to be the bandwidth that's provided? I heard a comment in Washington last Tuesday that we want the most bandwidth we can get. And I think that has to be again a factor that's woven into the equation.

The forth thing is the public benefit. To what degree will the project that's being proposed impact hospitals, education, public safety, the low-income community? It seems that as we design efforts to bring the broadband world to more and more, there is a fundamental obligation to see to it that there are public benefits that go beyond just providing broadband service to individuals.

And the last area, the fifth area, is to what extent will this particular project contribute to economic development? That's a very meaningful thing in rural communities. It's a lifeline. And I suppose we could weave into that the number of jobs that will be created within that community. And I'll address it just a little bit more in a minute.

There is a second area that I think we have to mention. And that's the viability of the firm or the individuals that are submitting the application. What experience do they have? Do they have qualified personnel? What is their track record? What resources do they have to

operate and maintain and upgrade this network after the grant has been provided and fulfilled? It doesn't stop there. It goes way beyond it. It's a never-ending commitment.

I offer this because I found it interesting, in Washington last Tuesday, at the opening of these sessions, while standing in line and always looking around to start a conversation with somebody I didn't know, I was amazed at the number I talked to that were brand-new at this. And I got to thinking, you know, there's something about the smell of money that seems to bring out a certain group of individuals that have a peculiar capability. One gentleman didn't even know what -- when we talked about -- when I talked about broadband and, you know, what kind of bandwidth, those were terms he didn't understand.

In talking with others, they had just put together a consortium looking at whether or not they could provide cell phone towers. They hadn't incorporated yet, but that would follow. This is scary. And I think we all know some of the dangers that can come with projects or efforts when there's an awful lot of money at stake and there's an awfully big objective to be covered. And I think we need to make very sure that those who are recipients are those who can and will deliver. The taxpayer deserves it. And we have an obligation to see to it that it's fulfilled.

The last of these things is what's the long term? When we take a look at these projects -- and I talk about the long term, we can't look -- and I have listened to the discussion and I know how sensitive it is. The discussion about how you define the underserved and the served and so forth. I'm sorry, but we can't look at a meg and a half. We can't look at some of the numbers that we've thrown around this evening because that isn't, by the time this effort is finished, what is going to be needed in rural communities. I can't put a number with it. But I can tell you that the National Exchange Carrier Association in their tariff -- and many, all of us belong to it and it's how the revenues for access are split up. They have a 50 meg component in their tariff today.

Now, I'm not suggesting that by tomorrow that will be the requirement for everybody. But we can't build a network that has a limitation where we're all going to have to go back in the ground five years from now and plow it up and put more in or put in a different technology.

Yes, we can change the electronics at each end. But what we put in the ground at $5 a foot means a lot. What we put in, in a tower means a lot. So we've got to look beyond. Now, that doesn't mean we shut out competition by any stretch. That isn't appropriate, and it shouldn't be part of the consideration. But maybe we need different

standards, recognizing the fact that the different technologies are used in different ways by the population.

I'd like to close with one other thing. We bandied around the around the economic development thing. And if I could just mention one thing. I heard, and I say this with all due respect, that we need a real program here to encourage people to use it, to bring in people who can take advantage of this network, and so forth. But I'd like to provide three examples very quickly of cases where you build it and they will come, because that has been our experience.

First, we serve a very aging community. They're cattle ranching people. The kids have gone on to other things. They're not staying at home. And these people are of some years now. And when I took a look at the penetration rates three years after broadband was put in, I was stunned. I couldn't believe it. It wasn't the kids in town; it was the geezers out on the ranches that were providing this, and I couldn't understand why. And when we had the first annual meeting after that, I decided to talk to them and find out just exactly why we had penetration rates that far, far exceed the nationwide average. And the answer was simple. If we found a way we can buy and sell cattle, buy and sell the hay, purchase whatever commodities we have to have and do it over the Internet, none of us go

to the auction house anymore with a load of cattle on Friday. It's all done directly between us and the packing house, directly from here, and it cuts the shrinkage and gives us the competitive edge. That is -- that is a story that stunned me. And as I look at it and have followed up with, it it's a real case.

The second thing is a neighboring community, Powell, Wyoming, has just finished a 100-megabit-per-second network to the entire town. Everybody can have that capability. That doesn't mean everybody does. But that is the capacity of that. The waiting list to get into that -- and incidentally that's a municipally owned network. The waiting list is into July for those people to get that service. And they have received daily and have assigned a person in their City Hall to interview the people that are coming in, the businesses that want to settle in the industrial park that has that level of service.

The third thing is in a little tiny town that is virtually off the map, about a mile and a half from the end of the earth, a fellow came in one day about three years ago visiting his relatives, and talked to a fellow sitting in a ditch looking at a map, and he said, "What are you doing?" And he said, "Well this town's copper wore out. "t was pre-Depression. And we're going to try fiber in the home for everybody." Well, where that ended up was a bunch

of people from Korea coming over sitting in a firehouse and testing that network using Star Wars in Korea as a way of testing whether or not they could get full-motion video, keyboard, and voice over the same Internet arrangement. And the purpose was to teach Korean to -- American English teachers teach English to Korean people.

That now employs, a year and a half later, 153 teachers part time with all of their equipment paid for by the Korean government as well as their -- as their fee for teaching, employs 23 people. And that outfit is looking for anywhere in the United States they can continue this because they have a need for 40,000 teachers.

You build it, and they will come.

MS. MOYER: Thanks, Don. I'm Catherine Moyer with Pioneer Communications. I'm a company out of southwest Kansas. We're an ILEC. We're a cable television company. We're a wireless -- mobile wireless GSM carrier and an ISP. So I guess we get to dabble in all of the technology, which is fortunate.

I think you guys have probably all read what NTIA and RUS have to take into account, as listed in the statute and whatnot. And I think those considerations are pretty low level and somewhat obvious. The goal is to reach the greatest number of users with the highest speeds possible. I'll take exception to one of the RUS considerations, which

is to give end users a choice. I'm -- Don obviously is not willing to throw competition under the bus and I won't either. But I think that, while giving them a choice would be great and obviously competition should result if lower prices, there's an issue here with the number of dollars that we're talking about. There is not enough stimulus dollars to build out broadband to every single user that's unserved and underserved. So while I'm not trying to be protectionist, I'm going to use some common sense and say the stimulus dollars first and foremost should go to unserved areas and then underserved areas, I mean, stretching broadband to every corner of the U.S.

I believe the most important criteria to be considered, even before NTIA and RUS list criteria, is the financial stability and viability of the applicant. Funding established companies that are financially stable will lead to prudent investment of the stimulus dollars. Additionally, those established companies will be less likely to pull out their businesses once the dollars have been spent. This is especially important to the RUS-awarded dollars that will be structured as loans or loan guarantees with repayment schedules. It is also significant to NTIA, as the dollars it awards will have a matching requirement.

Another company criteria that should be taken into

account is local presence of the company in the area of the proposed project or the willingness of the company to establish and operate a local community center. The local presence of the company along with the community center could drive broadband adoption by educating and training local population on computers and computer literacy.

An additional company criteria that NTIA and RUS should keep in mind is that the low -- the current low-speed broadband facilities can be upgraded at a lesser cost than building out an entire new network to serve the population. For example, those companies that are providing broadband speeds of 256 K to 768 K would require less money to upgrade those facilities than a brand-new entrant that would be building a new network. And I do realize that there probably are different fee structures when we start talking about wireless versus wired in-the-ground construction.

Both NTIA and RUS will be required to look at the total number of end users that will be reached with the project. While this is imperative in order to get broadband speeds to as much of the U.S. population as possible with the $7.2 billion, it is also important to look at the proposed areas to be served. There may be applicants that will be proposing a project in which a large geographic area will be served, but the population

density may be low.

These projects are also important in covering the U.S. and allowing anyone to obtain broadband services no matter where they live or where they may be located in the future.

Another central consideration is that of a timetable of the completion of the proposed project. NTIA has a requirement that the grant projects should be completed within two years of being awarded. The projects that can be completed quickly with an emphasis on quality network designed should be favored. With both NTIA and RUS currently proposing three funding rounds, perhaps the first round places more emphasis on these quick projects, with the second and third rounds not giving that much priority or as much priority to the timetable of the projects. Also those projects that are shovel-ready should be given priority, especially during the first round.

NTIA and RUS should also contemplate the middle mile, an issue many of today's broadband providers face. While the broadband network is being extended further into areas where there is little or no services, many companies cannot afford the large middle-mile facilities to connect these customers to the Internet backbone. Funding should be available not only for end-user connections, but also for those backbone connection facilities, if not owned by the company utilizing them. Those companies that actually

don't own those back -- those middle mile, they are facing pretty steep fees in order to get access to the Internet backbone. Stimulus dollars could be used for that expense. But I have a feeling that, you know, that's so ongoing, any stimulus dollars, at least right now, are favored as a one-time thing. I would assume that as the industry continues to talk about reform of the Universal Service Fund, that that's something should be included in that.

Additionally, I've got a little bit of a laundry list. Projects should be expandable to provide greater speeds in the future. Projects that have an impact on education, both K-12 and secondary, should be favored. Projects that have an impact on economic development should be favored.

Now, I'm going to speak from the experience of living in a small town of 6,000 people in rural southwestern Kansas. Broadband is one of the best economic development tools that we have. In order to convince businesses to locate in rural America or to allow current businesses to remain there, broadband is necessary. Broadband also helps retain and recruit population. The Facebook generation will not take a job and move to an area in which broadband is not readily available.

Projects should create new jobs or retain current jobs. Projects that use U.S. companies and U.S.-supplied materials should be given more weight. Applications should

note the current broadband speeds available in the project area, while also noting what broadband speeds will be available upon completion of the project.

As we move ahead with these broadband projects funded by stimulus dollars, we must be cognizant of the need for long-term broadband strategy. The United States must continue to move up the worldwide broadband rankings. These stimulus dollars will go a long way in advancing broadband penetration in unserved and underserved areas. However, the United States must experience continued growth and broadband penetration to crack the top five. These upgrades and future speed requirements should not be limited by decisions that are made on the projects that will receive stimulus dollars today.

MR. FEEST: Thank you, Catherine. I'm Mark Feest from CC communications in Fallon, Nevada. And I was happy to see that this time it wasn't "Nevuh-da" as we were introduced. Those us of us from Nevada, we appreciate that.

You know, I could say many of the things that -- or I could say many things that have been said that I agree. I don't want to rehash those things. And I made a few more notes as I listened to this, and I think one thing that really jumps out to me and from the previous panels and from what has been said here today and in past meetings is that sometimes I feel like people are starting to get

confused about what the Recovery and Reinvestment Act is
and what a national broadband strategy is. And I don't
think they're the same thing. Maybe I'm wrong there, but I
believe we have other mechanisms which address some of the
social issues, people not adopting when it has already been
brought to their neighbors or choosing not to. They don't
like the price. There might be other avenues to address
that issue.

        But from my perspective, I think what we need here to
get the most bang for the buck, a term that's being thrown
around a lot, and to really get something sustainable is
projects that would otherwise be done but for the capital
cost. And what I'm saying is there are many phone
companies, wireless companies, cable companies out there
that might have their local loop in, they're getting the
customer with good bandwidth, but they need backbone to a
fiber hotel out to the Internet, something that's very
costly, something that that one-time capital investment,
one of our recurring costs, there is an initial up front
they can't make at this time because they can't amortize
that and collect it monthly from the customer. If it is
also upgrading the local look, that's the same thing. Once
it's in, do you have customers?

        And I think that's a big thing we need to start off
with, is we look at the core of the stimulus plan, and I

think it is about job creation and preservation. I think broadband is an input to that, whether it is job creation in the case of putting in facilities; job creation in hiring techs, customer service representatives at the provider; or if it's job creation that happens after your community gets broadband at a high level and is able to recruit businesses. But I think that really we need to focus on job creation and job preservation.

And I don't think talking about temporary jobs is where we should be. I think it should be sustainable business models. And again but for that initial investment, they are going to recoup the money from their end users. And I guess you could use the example because it's the industry I'm in, the local telephone business. You have broadband customers. You have DSL customers, but not everywhere in your network. To upgrade a portion of your network in order to provide broadband to everyone or to most of the people in your area, that capital investment cannot be recouped on the monthly rate that you are able to charge. But you know what the rate is. It might be from NECA. It might be otherwise established. But you know what it is. You have a business model in place where, if the facilities are there, you can cover those recurring costs.

Now, I think those types of applications, those types of grants are the ones that need to be made, because my

concern here is that we go into a process of people applying for grants, they get the money, two years down the road they still can't collect their everyday costs from the end user.

And I think I'm sensitive to an issue brought up earlier talking about where you have an area that it is deployed, but customers are not able to afford it and there are other barriers. I think that's part of the national broadband strategy quite frankly, that we need to look at some way of covering ongoing costs as opposed to one-time costs and then next year looking for more money.

So I think the criteria for making grants needs to take the sustainability of the business model into account and, again, look to a USF form of revenue for broadband or -- I think we have to admit that there is some quantity of potential customers out there that they're not going to find that place at which you can provide broadband to them is the same place at which they are willing to pay for it. And I think it is dangerous to think a one-time capital investment is going to cure that problem because it's not, and I think, in a couple years, you're going to be asking why we still don't have broadband penetration to these people. And, again, I think that's a national broadband strategy issue.

One other issue I think is of importance that I'm not

sure has been talked about enough -- it's been talked about
a little -- is the issue of the backbone, getting from your
local network out to either a fiber hotel or out to the
Internet gateway. And I think you need to understand that,
again using an example from the RLEC industry, you get a
new neighborhood and you put in fiber to the homes in that
neighborhood or fiber to the neighborhood, and you get good
bandwidth and your readings tell you you can get 15 megs to
their house. You check that a while later between 3:00 and
8:00 p.m., and you're not getting near that, and the reason
is you have one way to get out to the Internet gateway or
get to a fiber hotel, which at that point you have
additional ways to get out to the Internet or competition
there. And you need the ability -- I think the bandwidth
at people's house is not just what's inside your network,
but your ability to get to the Internet gateway. And I
would hope that we will consider that as options for
grants.

        I don't think these funds should be used for
speculative ventures. We're for fostering competition. I
think, again, that is part of a national broadband
strategy, but if we really want to create jobs that are
sustainable, you have areas and you just — again, we have
to be honest that competition -- there's not enough
customers for competition in some areas, in facilities-

based, maybe a wireless wire line and that I suppose is where we get into the issue of having two different definitions for underserved or what is broadband, depending on the type of carrier.

I see that my time is up, so I will yield to our moderator at this time.

MR. SEIFERT: This has actually been very interesting for me because when we originally put this panel together, I thought we were going to have a much more diverse kind of background. What we ended up with was four companies and higher education. And actually in -- I've been scribbling as quickly as I can. There's a lot of commonality, but there's some really strong differences. And I think that's very interesting and I think it just again underscores the difficult task we have before us.

So, never being one to be afraid to dive into difficult areas, let me throw some questions at you. Should higher speeds be prioritized over lower speeds? If two proposals provide the same viability, same business model, that sort of thing, but one provides higher speeds to the end user, measured at the end user, in that perfect world, should the one with the higher speed receive priority over the one with the lower speed?

MR. FEEST: I'll answer real quickly. I think absolutely. In a perfect world where they were equal

coming in, and that is the difference. Yes, but with the finite amount of money, at how much more cost are you going to get the higher speed?

MR. SEIFERT: Okay. The rest of the panel, if you all --

MS. MOYER: And not only that cost, but also the cost to the consumer. I would assume that you would still have different tiers of service if you have somebody providing a higher speed, but in the same light, are those lower speeds that the other applicants is offering, how are those priced accordingly?

MR. SEIFERT: Right, and then let me — I'm sorry. Go ahead. If you agree or if you disagree --

MR. JACKSON: I agree totally.
MR. SEIFERT: Okay.

MR. ANDERSON: I guess I'm the lone dissenter here. I don't think it's necessarily -- I think you have to look at more than just speed in any of these applications. Speed may have some factor in it. And maybe it's -- it's dependent on the whole package, and I wouldn't necessarily — again, we've heard from a lot of people that anything over dial-up is coveted. And if it means not necessarily providing service versus something that's going to go at 10 or 100 meg, then I would say it's not that important.

MR. SEIFERT: Well, I guess I should have done a better job laying out the question. When I say all things equal, I'm saying that the cost per unit and however you define the unit is basically the same, but one is going to provide a higher speed than the other proposal, then I would assume you're getting more -- I mean, we'll wear the heck out of this phrase – you're getting more bang for your buck if you're paying basically the same and you pay for higher speeds.

MR. ANDERSON: Well, there's diminishing returns there. I mean, how much is enough?

MR. SEIFERT: Those are the questions we have to figure out. Is -- I heard from previous panels that 100 megabits is kind of future looking. And I guess this is another question: Should we fund technologies that are current generation and maybe by their structure limited under current technologies; in other words, they will never be able to expand, you know, we heard from different people if you're going to buy things, you should buy fiber because it's going to last 100 years or -- and I guess the wireless analogue of that is doing fiber connections from the towers back to the central office that, you know -- and this strikes at the heart of some current business models. You know, we understand that. And so when I asked this question, I know it's fairly loaded. But, you know, put

yourself into not your current business stance but you're spending the public's dollars and you're supposed to make a wise investment overall. You know, is there an answer to that question? And again I hope that I'm underscoring how difficult this is to kind of answer these questions across the country.

MR. LAZAR: I would say is there an upgrade path? It may not be known today, but is there an upgrade path?

MR. SEIFERT: And by I mean -- upgrade not by tearing it up and putting in -- that to me is not upgrade. That's — do over. Right. That's do over.

MR. LAZAR: Agreed. I think you're looking at a next generation technology to provide for an upgrade path. And I think that's similar to models that you've seen outside of the stimulus package.

MR. SEIFERT: Right. Okay. So one of you touched on this. I thought it was very interesting. So we've been talking about unserved and underserved areas, and we're saying basically unserved is where just functionally there's no broadband, where people are praying for dial-up or better. I think a lot of people would think of that as unserved. And yet economics tells us, even in flush times, if there were capital for these sorts of projects and they still haven't been built, is there an economic model that works for an unserved area or is it by definition unserved

because there's not an economic model? And that gets to I think Mark's point about, at the end of two years, what next?

So we're in a place where we have access to a lot of folks who come from unserved areas or work with folks in unserved areas, and a lot of folks are telling us you should go there and focus there first, but then the statute also says we have to do sustainable models. So help me — help me solve that. If you could tell me how we're supposed to do that. And I have to tell you I don't think tripling the Universal Service Fund is one of those things that a lot of people, you know, who are looking at that are considering to be a workable kind of sustainable model.

MR. ANDERSON: Well, it's a tough question to answer because sustainability is obviously a key factor here. You can't just go throw money at putting some equipment in and then, five to seven years later when it needs to be upgraded or replaced, there's no money, there's no market. It dries up and blows away, and that was a waste of effort. I've seen that in the existing NSF models. That's happened, and we've been doing this kind of thing for a long time. The Universal Service Fund, and the -- what's happened is they rely on things like e-rate and h-rate to maintain sustainability beyond it. But in the end, that's even more government subsidy. So it's a tough question.

MR. SEIFERT: Well, I think Don has pointed to three different projects that were sustainable where people probably would not have guessed sustainability would have occurred. I mean, I would never in 100 years have thought about Korean language school as a way to, you know, kind of reinvigorate some economic models. But, I mean, Don kind of unpacked that for us. You say if you build it they will come. How do we on the front end, if we're investing public dollars, how do we know something is going to work or how do we put that into grant guidelines to kick the tires, so to say? If somebody comes in with a project and says I want to go to this very small area, I want to you spend a lot of money, you'll do the cap, and here's my business model that's going to make it work, trust me I've seen it happen elsewhere.

MR. JACKSON: If I were in your position, I would take a look at history. I would take a look at those areas where there has been success. I would also look at those areas where there have been failures and ask why. I think that we've had enough experience over the last decade, as we have evolved into the beginnings of broadband. There's enough broadband in the rural areas right now where I think we can take a look at the successes and the failures, figure out the reasons why, and determine what model works and which one doesn't. And by "model," I just don't mean

how many megabits per second you throw out there, but what is the architecture? You can build a network, begin the building of a network that is progressive, where you start and build the capability or have the capability to add to it as you need to. It isn't a matter of all or nothing.

But if I were in your shoes and trying to do that, I don't think it would take that much of an effort. There's lots of data or information available. And I'm sure several of us could help point people in the right direction or even participate in an effort that would discern what the circumstances are that made something work and what the circumstances were that made it the opposite.

MR. SEIFERT: Does anyone else have a comment? I'm going to keep peppering you because we have to go home and write this all up. That's why this is not just a thought exercise for us. We actually — we have a very short amount of time to do it. So, Don, you said --

MS. MOYER: I had one thing.

MR. SEIFERT: Go ahead. Go ahead.

MS. MOYER: And that's — you know, I'm the areas that I'm serving are tiny. I mean, I'm talking about my headquarter town of 6,000 people, you know, roughly 3,000 homes. We're serving communities that have 50 homes. And we're serving them pretty well with our broadband. And you know I'm talking like a six meg product that is actually

being taken by the majority of people, you know, upwards of the 60 percent range. And they're taking that. But if it were not for some other cost recovery — in my case, USF -- I couldn't have fronted those up-front costs to get to those people. But those people are actually paying now for the service they're receiving.

So I think that there are places like Mark was talking about where if you can make the initial up-front dollar investment, that you can actually then get some revenue from those customers to start to cover those ongoing costs.

MR. SEIFERT: Let me push on you that a little bit. Don said this and I think Ed said it about, given three proposals, you should see what else the proposal does, public benefits. Are you hooking up a hospital? Are you hooking up a library? And that dovetails into the open access concept. If the dollars are going to build a public highway, everybody should be able to get on, which I think presents some competitive issues, right? Somebody could come in and undercut your phone service with VoIP. And so, you know, there's that difficult balance about, you know, you support this concept of it's got to be open access but from a -- I guess, you know, unpack that for me about how you think that should be evaluated. Right?

MR. JACKSON: I don't have any trouble whatsoever with open access, with a grant. If you don't want open access,

don't apply for the grant. It's that simple. And I don't

mean to be flippant. But I think that if the taxpayer is

going to provide money to build or to have a network and

the requirement is that it be open, then it should be. And

we should structure prices and the various support

mechanisms such that it also is a viable open network. We

should not be manipulating to deliberately alter

competition. I think that is absolutely unacceptable to a

land-line company that's receiving a grant.

MR. SEIFERT: One thought was that the more people,

the more institutions, the more folks climbing onto the

highway, the greater the opportunity in these maybe

unserved or underserved areas, the greater chance there

would be that business would expand. The folks in the

community would say the hospital doing this, we can do it,

we can do medical centers or -- and then if somebody fell

who could not sustain, the other institutions that were

using that network would provide enough funds to keep it

flowing.

And so the proposal to us was, you know, the more

things you are attaching to the network or are allowing

access from the network, the more viable that project is

and so it should be ranked higher. Does that -- is that —

does that sound good, sound bad? I've got 15 hospitals on

mine and 15 libraries and three schools and all the public

safety for my county, and so I'm better than the guy who's coming in with one that only has two hospitals and, you know, half the county.

MR. JACKSON: Well, as we are

MR. SEIFERT: If you speak into the microphone — go ahead and speak into the microphone. Speak into the microphone.

MR. JACKSON: I'm sorry.

MR. SEIFERT: That's all right.

MR. JACKSON: Excuse me. As we are approaching our possible proposal, we very much are ruling out things that don't fit into those qualifications that I talked about earlier.

MR. SEIFERT: Sure.

MR. JACKSON: Not that those are by any means the only ones. But we talked about certain things that we think are very important that ought to be done. And we haven't done them because of a lack of capital. But they really didn't do any of the things. One of them only created or closed a ring. That really didn't help anybody. But we've taken a look at the same time of saying there are other things in this community that are absolutely critical. We don't have a connection to the local -- not the local, but the regional hospital. We've got a lot of little clinics. But there's no way we can get up to Billings with anything and

yet they're sitting there begging. What will it take to
get to Billings?

We have some educational situations where we without
question could do things. And every single thing we come
up with that would help the community would also help us.
I mean it isn't as if we're just doing something out of the
goodness of our heart at all. But rather it's part of a
good healthy network. And I think that when we take a look
at it that way, then I think we're doing what you all
expect of us to do before we submit that application.

MR. SEIFERT: It seems like I heard from the panel a
lot of support for middle mile, that middle mile seems like
a way to bridge communities, and it provided an opportunity
for smaller communities or unserved communities to tap into
-- basically into the long haul or into the Internet. And
it was my estimation -- is my estimation correct, that most
of you would support substantial amounts of these funds? We
should look at their viable middle mile proposals, or am I
making that up?

MR. FEEST: Well, I certainly do. I think we can't
ignore that. A significant cost especially when you have
taken the initiative to take fiber into neighborhoods,
maybe all the way to the homes -- there's a significant
cost in getting it off your network into a fiber hotel or
some other method where you can get it somewhere where

there's competition in the back haul to get to the Internet gateway.

And that has to be considered when you're putting in the price for each of your subscribers. If you're going to have to put that money out and then amortize it over some period of time, you are going to add in some cases $10, $20 a month to your -- end users' charge if you were to build that yourself. And then your other option is to be at the mercy of somebody who is leasing you dark fiber. And that I think is a good opportunity for small phone companies and other providers to get together, and if they're going to put in conduit, put in enough conduit that everybody could pull a fiber through there and that would actually be positive for competition and the end user.

MR. SEIFERT: Okay. Anybody else?

MR. JACKSON: Back east where we have a dense population and a whole lot of backbone, this isn't quite that serious a problem. But out here in the west, where it's a long way between I 15 and I 80, I think, were the two that were mentioned earlier in the day, this can be a serious problem. Now, this isn't a problem to me because I've got four OC 196s appearing 25 feet behind the central office in a hut that belongs to a carrier that comes through. So I don't have this problem.

But you should see the problem that some of these

people that are really serving off the beaten path. And
many, many are. And it isn't just the local telephone
company. It's the cable companies. It's anyone who needs
Internet access that can have this problem. It is serious.
And it does -- it is worthy of consideration.

    MR. SEIFERT: Right. Go ahead.

    MR. LAZAR: Sure, Mark. I don't want to suggest that
middle mile isn't a problem or -- in many cases. But I
think if you're looking at the magnitude of the problem and
specifically goals one and two of the act, you are looking
at unserved and underserved areas. And in our experience
it's the last mile that clearly is the more problematic of
the components. And so again not trying to discount the
importance of middle mile, but all things being equal, I
think solutions that attack last-mile problems would be
closely aligned with the stated purposes of the act.

    MR. SEIFERT: Okay. So we talked about cost per unit.
And to me this is a bit of a complex issue because it's
what are you measuring? Are you measuring the dollars
spent per mile of fiber that reach the number of customers
and do you use as your denominator the total number of
customers in this one area? And how do you compare that to
say a slightly more dense county?

    And so I'm struggling with this, and I can't even
explain it. But if I have a county that has five people

per square mile and I have a county that has two people per square mile, is it really fair to compare them just on raw numbers, that the county with five people per square mile is going to serve more people or has the possibility of serving more people because there are just more people there? That may not get to the real issue of both counties don't have access to broadband. And, you know, if you have to pick between one or the other, do you penalize the one that doesn't have as many people in the county just based on that fact or is there some sort of scale, you know, cost per unit to reach the people, the average cost per unit?

And, again, I keep throwing these questions out to you because they are they're ones we have to solve. Is it a sliding scale? Go ahead. I mean, jump in.

MR. ANDERSON: Well, there's a limit here, and it's one of my examples that I didn't get time to mention it. Esmeralda County in Nevada is about 3500 square miles and there's only 600 people in it. Now, trying to deploy broadband to 600 people spread over 4,000 square miles is just never going to be totally cost-effective. There's going to have to be some subsidy somewhere in order to do that.

So there has to be a limit on where you draw the line with it, if there's even going to be any kind of

feasibility at all. It's not everything to everybody. And

we can't get everywhere because of these types of

situations. And even in this particular example, even if

all of them wanted to do it, it wouldn't be -- it wouldn't

be financially feasible. Yet when you go and talk to them,

a lot of these people are very off the grid, independent,

"I don't want any government intrusion in my life" kind of

things anyway. It's not necessarily a "build it and they

will come" with these people. So I'm not necessarily

convinced that build it and they will come is a universal

truth.

MR. SEIFERT: Okay. And Mark mentioned that he didn't

think that the act really focused on adoption. I do want

to say that there's actually money that Congress says we

have to spend on demand side. It says at least 250 million

will be spent on demand side. And I think it is a fairly

explicit congressional statement that they believe that in

certain communities demand side is important. We were

talking before with Emy Tseng from San Francisco, and she

said some of the research they find is that in some Latino

families, that the parents are concerned that this is again

going to affect the family. If I bring broadband in, it's

again just another way that would separate me from my

children. If the parents are Spanish-speaking and the

children are both English- and Spanish-speaking, that's one

divider, and then the second one is that now they have this broadband thing which I don't understand as the parent. And so the concern is that if that's the operating assumption of the parents, then there's a whole family that's missing out on the things that come from broadband. And that includes access to health care, access to your government. Much of the government is moving toward e-government.

So I just wanted to point that out to make sure -- and then to say, you know, ask the panel, do you think we should spend more than 250 million? How do you think we should spend the 250 million? If you have people giving us proposals, should they show some part about not only sustainable, but this is the training and this is how we're going to help folks in the community understand how they can use it? Should that be a consideration?

MR. FEEST: I suppose I would say yes, I would agree with that. But going beyond the $250 million, frankly I don't think it's going to be easy for people to show how it's sustainable going forward. And that's my concern there. I don't think the focus of the Recovery Act is on that type of -- those types of grants, but certainly the mandated part would be necessary.

MR. SEIFERT: We always try to do with what Congress tells us to. It makes for a much better life.

MR. JACKSON: You know, I live in a heavy immigrant community, and you used Hispanics as an example, and that is the case. I'm stunned at the speed with which the gap is closing. Those kids come home and talk about what they've done, or mom and dad go to school and, you know, parents night or whatever and watch what happens there. And they listen to others of their peers. And I'm truly amazed. I think that the gap of those that have a fear is far less than the problem of not having money enough to buy equipment or something like that. I am truly amazed at how quickly, because of the children, that this gap is being closed. And I'm not sure it's as great as some of the other problems that we need to worry about.

MR. SEIFERT: I have to tell you, Don, I'm really tempted to actually move to your neck the woods because everything you talk about sounds great. It sounds like things are really developing nicely there.

It is 9 o'clock so it's time to turn to public comment and questions. So for those of you who have done this before, step up. Try to keep your comments or questions to one minute, and try to focus your questions on how grants should be awarded. Let's start here.

AUDIENCE MEMBER: I'm with the California Emerging Technology Fund. This is a question for the panel. There is an inherent tension in this funding: on the one hand, an

urgency to get this money out the door, and on the other hand, a greater calling for accountability and transparency in government funding. So for the panel, what recommendations do you have about building in accountability and transparency in the review and selection process of these grants?

MS. MOYER: I'll have to say as a Universal Service Fund recipient, I routinely am audited and routinely undergo audits that come from every which branch of the government. I think that could be one of those things that could be utilized for the accountability factor. Not that I really enjoy going through audits.

MR. JACKSON: I think it's terribly important with the money that we're talking about here and the money that we're talking about with the entire stimulus package. There is a real danger here of misuse. It's another one of those things that happen when people smell money. There has to be accountability. And we, the recipients, have to not only recognize that, but realize we've got one hell of an obligation. And if we don't, there ought to be steps taken to see that we do the next time. I feel quite strongly about that.

It's a very necessary function. It has to take place. We're used to it. I can't say we don't like it sometimes. I can say we don't like it sometimes, and sometimes it gets

pretty stupid. But it is necessary. It is absolutely necessary to the taxpayer that's footing this bill.

MR. SEIFERT: I would recommend for those of you are being audited, if you have comments about how we can be smart in this program, the IG has $10 million in perpetuity basically to make sure this money is spent like the proposal said it was going to be spent. So please add that to your commentary for us.

MR. JACKSON: Thanks for that invitation. The current round of U.S.F. audits.

MR. SEIFERT: I'm far from familiar with those. We could spend another hour and a half.

MR. JACKSON: I would like very much for you to do everything the opposite that they have done.

MR. SEIFERT: I have heard just a little bit about that.

AUDIENCE MEMBER: Thank you very much. My name is Jeff Hultman, and I'm CEO of Rural Network Systems. We were formed a week ago to target the rural broadband wireless business. I particularly enjoyed this panel and agreed with so much that you said, particularly when you use the terms "sustainable" and "viable." I've been in the wireless industry for over 24 years, spent hundreds of millions of dollars building systems. And those two words are always what we look at when we went to look to spend

and build systems. We had a business plan and a financial model. I would suggest that a business plan and financial model is key. In a week or two that I've been involved in this industry again, I find that you've got to gain skill in order to be viable and sustainable. A number of 7500 customers and 26 RP gives you a start, but 18 months later, you're still in the red. It takes you 18 months to have the operations system that you need to break even if do you everything right. So it's very important that you look at viability and sustainability.

And to that end, when you get in this discussion about unserved or underserved, as a businessperson I don't look at it that way. I want to serve the rural community. But in order to have a sustainable, viable business, I've got to take care of the underserved too. It's like pushing the system out. You're starting at this point moving to the rural area. If you move to the rural area and only try to serve the underserved, you're not going to have a viable business if you define a business that's going to be profitable in ten years. So I would look to offer -- please don't confuse and don't make it a criteria of one or the other. This business is blended. People have used a definition of a road as an example. That's how we built the telephone systems in the United States, the cellular systems, and that's how we're going to have to build this

broadband wireless system. And that's pushing out. Serve the rural area, but know that you have to take business customers along the way and you have to do underserved areas.

MR. SEIFERT: Reply or comment on that? Okay.

AUDIENCE MEMBER: I'm Arlen Martin, and I'm from the technology side of building products that support some of the broadband infrastructure. And the company is Coterra. We're located in California. And I was wondering, in this $7 billion -- almost everybody is in the services side. In the $7 billion, is there room for a company that has the capability to design products that would take that last mile and perhaps extend the reach to a dozen miles? And is there room for a company to -- that had ideas on increasing the speed from a gigabit to ten gigabits in order to make better use of the fiber we have? Would proposals in those areas, and I'd like to here the panel's input, receive consideration? Do you think proposals like that should receive consideration?

MR. SEIFERT: Thank you. Go ahead.

MS. MOYER: I will think -- or I will say that perhaps that may be one of those collaborative applications that would be a really good manner in which somebody like yourself partners with somebody like me to apply for stimulus funds to specifically serve some of my customers

that I couldn't reach and do it as a joint collaborative type of thing. That would be one way which I could see that working.

MR. FEEST: If I understood you correctly, you talked about technology that's not currently in use, possibly some research, some beta testing. And I frankly would be uncomfortable with that. I think a little over $6 billion is really a small number actually when you talk about trying to reach everybody or a significant portion of the underserved and unserved. And I think a major consideration has to be again the likelihood of success, the sustainability. And if it's something that hasn't been deployed, I wouldn't personally feel that that's a good place to start invest that money.

MR. SEIFERT: Anyone else?

MR. ANDERSON: I would concur with that comment. But also not only is it a higher risk, but the time delay we're talking about here -- again, speed is supposedly kind of "of the essence here." To go through the steps that were outlined in the beta testing and all the other stuff, we're talking about a longer time frame as well as higher risk. So to me that would be two areas that would be detrimental in the ratings.

AUDIENCE MEMBER: Benedict with the Berlin Atlantic Capital Company. We are the German-funded tower developer.

And I tried to ask this question before. I'll do it again
to this panel. Catherine, Don, you both had remarks that
had a lot of relevance, and Jeff too. Thank you for that.

The issue is the up-front capital just isn't available
for infrastructure. That's what we are here for, is to put
the up-front capital up and actually build the
infrastructure that you can then come on to. Towers. So
as long as we're talking wireless deployment of broadband
in rural areas, does the panel agree that first companies
that have the plan in place that have ground control, for
instance, in a certain market, that one of your carriers
wants to go into should be receiving some preferential
treatment? And companies that have the ability to actually
put some capital behind it and partner up with the
government to maybe reach the rural communities where the
return on investment isn't as quickly reached or not at
all, should those comes be able to receive or to be
preferred over others that don't have the ability to put
capital in place? What's your opinion?

MR. FEEST: I think one requirement is that it's an
investment that wouldn't have otherwise been made. And so
I guess if it doesn't run afoul of that, I think it would
be -- it should be -- the closer you have the -- more
you've gone down the line. You have acquired land. You
have the business plan in place, a business model. You have

people that are going to get on your towers. They have established customers that will be upgrading those customers or adding service to those customers. I would think that would be looked upon favorably if it doesn't run afoul of the requirement that it's something that otherwise wouldn't have been done.

MR. JACKSON: I concur. All right.

AUDIENCE MEMBER: I'm sorry. You all jump in.

AUDIENCE MEMBER: Yes. This is Ben Hewlett again, the owner of Motherlode Internet. We're a local provider that's one of the older providers on the planet. We were founded in 1994. So, you know, in line with the purpose of this Recovery and Reinvestment Act to create jobs, I want to second one of the suggestions of the panel there that they have local presence. So many of the rural areas are underserved or unserved because of the density requirements of the telco and cable companies that are national in nature. And we just don't meet the criteria. So I think that if we can somehow incorporate into the application criteria that local presence be recognized in the applicant. And that's of critical importance because of the secondary purpose of supporting the client and actual -- in actually utilizing the Internet. There are so many variables. It's not just the provider. It's not just the pipe. It's the provider support team, and it's the PC and

the network. Any one of those things break, and there's no Internet.

So I want to really emphasize, if we can, somehow in the application process, emphasize the importance of local. That way, if the money does go towards a local entity, there's going to be more local sustainable ongoing benefit. Secondly, because of rural areas requiring -- you know, wireless is a very important technology in rural areas. I want to make sure that the importance of the value of including CPE in the funding be taken into account, on the eligible fundable application that you include CPE in that fundable amount. Some of these programs have tried to -- or we've had to convince them that that was needed. I want to make sure CPE is included.

And then just one last comment. Whatever you can do to open up white space would be a huge boon for rural.

MR. SEIFERT: I can tell you happily that I actually have nothing to do with white space. And I couldn't be happier just because I understand it's a very contentious issue.

AUDIENCE MEMBER: Terry Parish and I represent the UTOPIA organization of 16 municipalities with fiber. Ms. Moyer and Mark both referred to something I think is very important. She went to the statute. You said you try to do what the people on Capitol Hill tell to you do. I

want to put some perspective on it. First thing is there's a lot of smoke and haze. And you've got to differentiate between a "may" and a "shall." Okay. In this the Assistant Secretary shall put together a deployment, an expansion program, a national one. And they shall do this in conjunction with the technology opportunity program. And then it says the program, the plan -- the Assistant Secretary will come up with -- will do a lot of things throughout the nation. And the program will do unserved, served, all of that list. And in fact there's a page and a half. And I have to point out that job creation is the last little item mentioned in this. I think they pretty much consider if we put in a lot of broadband, we're going to get a lot of jobs. And I think it's very hard for individual applicants to study all the data and say I'm going to put in six miles, so it's going to be this many jobs. The ability to accumulate all those jobs takes a real genius and all of the things that go with it. So he said a program that reaches unserved and underserved, a whole lot of different things, creates jobs. But then he says or the legislation on the Hill says he may consult with the states. But then it comes right down and it gives us a litmus test on what shall happen in the grants. It says the Assistant Secretary in awarding grants under this section shall, to the extent practical, consider -- there's

not less than one grant in each state. But then consider whether an application to deploy construction in an area does one of four things -- subscribership to service to the greatest population of users in the area? If you make it affordable and you get enough subscribers, then you begin to meet sustainability.

MR. SEIFERT: If I could get you to wrap up because we have other people.

AUDIENCE MEMBER: The greatest population of users in the area -- we've talked about that. The third is if approved, enhanced service for health care delivery education or children to the greatest population. Those are the things -- the other one was no unjust enrichment. But these are the three things that the secretary "shall" make or consider making applications. In doing that, because you can't reach everybody, what has to be looked at is replicability. You need to find models that you can do the same someplace else. And the model needs to meet what the grants shall be given to do. Then you need to find something that's reputable, that's open, that meets all of the requirements of the statute. So I think the statute is your best guidance. I would go very carefully by the words in it.

MR. SEIFERT: I think Congress is going to be very happy to hear that. They always like us to do exactly what.

AUDIENCE MEMBER: I'm a telecommunications provider, and somebody this evening mentioned the viability of providers and the ability of that provider to not only have the resources and the personnel as well as the ability to stick around after the job is done. Well, how can we ensure that none of this grant money is going to be going to builders who are going to just come in perhaps cherry-pick an area where they think it's most profitable and then make their money and leave the rest, the underserved or the unserved areas to other providers?

MR. SEIFERT: So how would you put that into -- obviously you again feel that this is not a viable use of the money and you may agree or disagree. But if you agree, how do you put that into -- how do you put that once a Republican on the Commerce Committee for the House says the only thing worse than subsidizing competition is subsidizing monopolies. And I thought that encapsulated the problem we find ourselves in quite well. And I have to say it was -- it gave people fits because it's one of those statements that's hard to argue with. Mark Feest.

MR. FEEST: I think with the level of money that's available and the amount of grants that are put in for, I would think that subsidizing competition would be something that would be quite a ways down the line. I mean are you going to deny an area that has been established as

underserved or unserved in order to approve an area where there's competition?

MR. SEIFERT: Well, underserved could encapsulate that there's a competitor there, but the competitor is not providing everywhere in the community or the provider is not providing adequate service, or it may be trapped in a technology that is not necessarily as forward-looking at something that someone else might come in with. Or you may have two competitors within a community. Say you have a wire line and a cable. And one comes in with a proposal to upgrade and that proposal to upgrade is going to connect hospitals, schools, has all the bells and whistles. So I think this is -- there's a real world out there where these proposals may come in and we actually have to make some decisions. Now it's your job to tell us how to do that.

MR. FEEST: If you had two applications, I think it would be difficult to approve both of those and then leave another area unserved.

MR. SEIFERT: So should you not approve either one?

MR. FEEST: I don't believe that in the real world you're going to get two that are exactly the same.

MR. SEIFERT: No, I'm saying a community where you have two providers, let's say wire line and cable. I mean, this is the real world we're talking about. And it's a community that has not very desirable speeds of broadband.

And you know one, you know, telco company says, hey, this is our chance to do that upgrade that we were trying to do, but we don't have the capital. The cable company says that sounds good, and they go out and try to put their best proposals together. And the answers are you can fund one, you can fund both, you can fund none. And the question is which do we do?

MR. FEEST: From my perspective, it would be no more than one.

MR. SEIFERT: Then we get to some really tough issues, right? We are hiring so if any of you want to come and help me try figure this out… Let's move on because I want to make sure everyone gets a chance.

AUDIENCE MEMBER: Forbes Mercy, Washington Broadband. I want to thank Bedford for stealing most of my issues for CPE to be used, and that's a big thing because if we can reduce their installations, that's probably why about 60 percent of the people decline service because our monthly charges are fairly low and that's the cost to us. So if we can have a subsidy for that, that's a good thing. That part of Washington did not have high-speed Internet until last year, 650 people. Eight miles from the city of Yakima. Nobody would go. The ILEC that had that place said that's not a density that we would provide high speed to. So we finally put services in. I think we're going to

find that the density is going to stay the same, that the

big guys aren't going to grow it, and then people that are

all right putting it out are probably going to be the best

benefit. And the requirement by the U.S. that 20 percent

be mutually invested by the people that are taking the

grant. Now, I would like to see as an option if we already

have 20 percent of an asset that is in place because we did

take the opportunity to deploy in the last ten years in

mostly rural areas, and my system is 80 percent in areas

where nobody else is because I feel an obligation go out

there, then we should have that count towards the amount

that would have to come out of our pockets and then allow

us to go deeper into the rural areas. And not any money

would come back very quickly. We say one-third of the

people will sign up for that in that area.

MR. SEIFERT: Let me ask the panel about that. It's

for NTIA also that as proposals come in, you have to put

some skin in the game. And there's a long-standing

tradition about that. If you're putting your own dollars

in, you tend to watch your own dollars fairly closely. So

it will make you pay attention to the nickels and dimes as

opposed to just letting it roll in. And you know what's

your reaction? There are going to be a lot of people who

offer creative ways of showing their match.

If that's the case, one, do you think we should allow

that? And, two, if somebody is putting cold hard cash up
as opposed to in kind or services or that sort of thing,
should that be valued highly or the same? And again
welcome to our world. These are the sorts of questions we
have to decide.

MR. ANDERSON: I think as much creativity as possible
is -- would be the order of the day. Based on the current
economic status of most of the states, Nevada is no
exception, we are facing tremendous budge cuts. The
university system, it's been proposed 36 percent. That's
untenable. So a lot of people can't even afford the match
in a lot of cases. And so they may not even be able to
participate, and you may not be able to give the money
away.

MR. SEIFERT: And the second and I think hard question
is, somebody does walk in and they have somehow decided to
spend cash they don't have a lot of, should that be valued
more highly than someone who can afford it?

MR. ANDERSON: I don't think so. If you're providing
value, whether it be cash or services, facilities, whatever
it is, it's still toward the common goal.

AUDIENCE MEMBER: And it also shows the experience.

MS. MOYER: That's what I was going to say. Frankly
you're going to use the money. It shows you do have skin in
the game, because I don't think you're going to leave 20

percent of these dollars stranded.

AUDIENCE MEMBER: Can I say wireless mapping is super-important. The State of Washington says that any place that is rural, they're going to apply for the funding to do it through the government. So don't let that wireless mapping money go.

AUDIENCE MEMBER: My name is Kim Kao, CEO for Logic Link. I heard a lot about this term "bang for the buck." And obviously there's not much agreement. I think you know there was some discussion about possibly applying it in terms of broadband speed and stuff like that. What I have heard, however, in the panel and also here from the audience is economic sustainability. And so what I would offer is perhaps the criterion should be some type of economic sustainability for the dollar or for the investment that's involved. And that would be a broader type of standard that could be applied. Because ultimately, think of it this way: Economic sustainability if you measure it, it certainly can be justified with the development. But the middle mile would apply. And actually each part of the infrastructure could be quantified down to an economic sustainability type of argument. We've got to make sure that ultimately, at the end of this thing, it's going to continue. And I have a quick follow-on question. If the panel agrees.

MR. SEIFERT: Can you sum that up?

AUDIENCE MEMBER: Instead of saying "bang for the buck" and it's got to be a minimum of 1.5 meg or whatever, why don't you just evaluate each of the proposals on the economic sustainability for the dollar that's invested. So, for example, you know, you mentioned development. I mean, that's easy to say. You have that type of development and option. Even the middle mile, you know, if you were to put that investment in, there's still sustainability because there's an inherent need for infrastructure upgrade for the middle mile. Does that make sense?

MR. FEEST: I think this makes a lot of sense, and really I think several people are trying to get at that exact thing as being very high on the priority list. This has to go to something that supports itself into the future if it's going to be valuable after those people go home who put in the infrastructure.

MS. MOYER: I think it's an excellent suggestion.

MR. JACKSON: I concur.

MR. SEIFERT: You're batting three for three.

MR. ANDERSON: Me too.

MR. LAZAR: I think it's certainly a decent suggestion. But it's another layer and might have a little bit more voodoo at the end of this. In other words, what is the economic impact? Maybe I misunderstood. I can

understand the viability of my project, my business case, and you can look at my assumptions and then understand if it's achievable and I can pull that off. The economic impact, you might be going through more levels in understanding that.

MR. SEIFERT: So this you have to do in ten seconds.

AUDIENCE MEMBER: So let me just present it very simply. So in terms of economics and sustainability, now we can essentially say broadband speed is not a hard criterion that we need to implement. In other words, if you have more specific or easier, you know, criterion to go to, you can say in this area, okay, we can allow these projects because this type of broadband speed will bring economic sustainability. And then in the other area we can go with much lower broadband speed in order to justify the economic sustainability. Do you see what I'm saying? So it's not really just a broad term that I'm using. I'm saying that it's an actually easier criterion to implement.

MR. LAZAR: That might be a good metric to evaluate.

AUDIENCE MEMBER: Mike Morris with Sirius Group. We serve as the technology provider especially for rural areas in southern New Mexico. And there seems to be throughout the panel here an axiomatic belief that somehow the wire line area carriers that are already there are somehow going to be more qualified to run this. In New Mexico two years

ago, we had a company demand that our Public Regulation Commission relieve them of a contract they made with the state. So part of that sustainability is going to be how are they going to sustain it because the statements may request money or not, but we do not want anything to do with any further out than we are. We have small providers who are building out. And without looking at that, how are you going to support it locally? There's a possibility possible that you go and support people that are going to run right behind the ones that are already invested in the community by handing out money to companies who may just make a profit off the installations and walk away from it or support it with a call center in India or in Central America which is the case with several of the wire line carriers in it country now.

MR. SEIFERT: With that, I am very sorry. We have folks that we need to release from their bondage. They have been doing this all day long. And I want to thank them for that. I want to first thank the panel. It was fun introducing you to some of the difficulties that we face. It was fun watching you working with it because it lets us know we're not on the right path, that this is difficult and there are a lot of things which we should consider.

I want to thank the audience for your sustained involvement today. I feel like I know most of you because

I've seen you all day long. I want to thank the folks joining on the Web and on the teleconference.

And I want to mention the Web site one more time: ntia.doc.gov/broadbandgrants. And on that Web site, we're doing a joint thing between NTIA and RUS. You can file comments on that Web site. You also can see archived versions of these meetings that we're having. So even though you can't go to Flagstaff tomorrow, you can watch. We're going to be repeating this panel again in Flagstaff, and then we have two more meetings next Monday and Tuesday. And we look forward to hearing from and you submitting your public comments. Have a good night and happy St. Patrick's Day.