

October 9, 2009

Dan Villa
Education Policy Advisor
Governor Brian Schweitzer
PO Box 200802
Helena, MT 59620

Re: Applications for funding to overbuild existing networks under the federal
Broadband Stimulus Program

Dear Mr. Villa:

We write to you as a middle-mile broadband provider that has invested millions of dollars in building fiber infrastructure in Montana, currently 360networks has over 1,700 miles of fiber in the ground in the State and employs more than half of its workforce in the State of Montana. This is to express our concerns about the Bresnan Communications application for a grant from the federal Broadband Stimulus Program (“BSP”).

360networks supports the overarching goals of the Broadband Stimulus Program (BSP), which were stated as:

- the fast deployment of broadband infrastructure in unserved or underserved areas of the country;
- the preservation and/or creation of sustainable jobs; and,
- the fostering of long term economic benefits in the newly connected communities.¹

However, given the limited amount of money that is allocated to achieve these goals, we have serious concerns about grant applications to the BSP that would result in the taxpayers subsidizing a broadband provider where facilities currently exist. Due to our experience in building, operating and maintaining such networks, federal dollars going towards duplicative infrastructure would undermine the goals of the BSP by jeopardizing existing jobs created by existing service providers and putting at risk the economic viability of privately funded enterprises. Moreover, subsidizing duplication would retard rather than promote the investment of private capital. Service providers that have expended billions of risk capital to build out broadband networks naturally will be wary

¹ American Reinvestment and Recovery Act, Section 6001(b).

of making further investments if the government pays for a competitor to construct overlapping facilities.

For these reasons, we request that you avoid supporting applications that would give artificial advantages to particular competitors on routes where fiber is already available from at least one provider. Specifically, we have identified one such funding request for the State of Montana that poses a significant threat to networks that have been built without the benefit of federal stimulus dollars, the Bresnan Communications grant request.

Bresnan requests over \$70 million in grant money to build a “fully, redundant, carrier class, 96 count fiber middle mile backbone” to create a 1,885 mile fiber optic network throughout the State. If approved, this would overbuild fiber networks not only of regional providers such as 360networks, Qwest, AT&T and Sprint, the Bresnan proposal would also overbuild portions of fiber networks of Montana rural telecommunications providers, including cooperative companies that provide state-of-art advanced technologies to some of the most remote areas in the state. 360networks understands that several rural carriers and their associations have submitted letters to you as well concerned about the Bresnan proposal and hereby joins in the concerns expressed in their letters.

The ability of the private sector to help facilitate the delivery of broadband services that enable the delivery of broadband connectivity to communities depends on a variety of factors, including the ability of the existing entities to maintain profitability on our privately-funded fiber infrastructure. We request that your office do whatever it can to prevent the use of the BSP to overbuild existing privately funded fiber routes. Specifically, we ask that you do not support the Bresnan application as it is currently filed. At a minimum, we ask that you request the federal agencies to delay a decision on the application until a full investigation can be made about the extent to which the proposal would duplicate existing broadband facilities and a determination may be made as to whether the public policy goals sought by the application could be met by using existing fiber facilities and service providers.

The current long haul fiber optic broadband networks are just now beginning to stabilize financially from a period of what the industry termed “the telecom nuclear winter.” This was due to excess capital flowing into the construction of these networks and leading to tremendous over supply of capacity. The result was a drastic deterioration in pricing which led to a high level of bankruptcies in the fiber optic carrier business during the period 2001-2005. BSP capital to projects that duplicate existing long haul infrastructure would cause another significant and adverse impact to the industry. Broadband customers are the ultimate losers as disruption of service would destabilize the entire market as carriers again struggle to earn a rate of return required to maintain and expand their existing networks.

Thank you for considering this important request. Please do not hesitate to contact me directly if you have any questions or require additional information.

Sincerely,

Chris Mueller
Chief Financial Officer and Vice Chairman
206 239 4076 (voice)
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Cc: Governor Brian Schweitzer

Enclosures