

**Before the
Federal Communications Commission
Washington, D.C. 20554**

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| In the Matter of |) | |
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| Preparation for Update to the |) | GN Docket No. 11-16 |
| |) | |
| Rural Broadband Report |) | |

To: The Commission Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

**Comments of the
Mountain Area Information Network**

The Mountain Area Information Network (MAIN) submits the following comments in the above-captioned proceeding in preparation for the Federal Communications Commission's update to the 2009 Rural Broadband Report. Founded in 1995, MAIN is a nonprofit Internet service provider serving the rural mountain counties of North Carolina. In these comments, we offer three recommendations to help meet the Commission's stated purpose to "update and evaluate" the Rural Broadband Report.

Please note that these comments and recommendations have been endorsed by the following interested parties:

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Respectfully,

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Recommendation I: From "Technology-Neutral" to "Business Model-Neutral"

We applaud and support the Commission's commitment to assess rural broadband strategies and solutions on a "technology-neutral basis." As the Report on a Rural Broadband Strategy correctly states, "every rural area presents its own special challenges, and a particular technological solution may be well-suited to one situation and poorly-suited to another."

We therefore urge the Commission to use a similar neutral basis for assessing rural broadband business models, given the Commission's acknowledgment that “a particular... solution they be well-suited to one situation and poorly-suited to another.” We are deeply concerned that both the Report and the National Broadband Plan:

- * implicitly favor for-profit business models in providing rural broadband services;
- * inflate doubts and concerns about municipally-owned networks
- * omit private-sector nonprofit networks as viable rural broadband business models, despite celebrating the historic success of this model in achieving rural electrification in the 1930s.

This bias is evident in the Report's “Addressing Network Costs” sections (118, pp. 51-52), which specify current government incentives such as tax breaks, grants, loans and loan guarantees “to encourage the provision of public services to consumers” but are vague in describing entities receiving these subsidies. In describing “an alternative solution [of] governmental sponsorship or ownership of broadband networks” (119, pp. 52-53), the Report details “concerns” and “questions” that “many have expressed”¹ on the “potential for market distortion” and the “consequences of unfair competition” from government-owned networks.

This bias² against public networks is compounded by the Report's failure to mention various private, nonprofit business models, ranging from established rural telephone and electric cooperatives to more recent grassroots-initiated community networks. Indeed, it appears that the Report excludes an entire sector of potential rural broadband business models—private-sector nonprofits—without comment or explanation.³

While this apparent bias in the Report could be an oversight, the fact that this bias is even more apparent in the National Broadband Plan suggests otherwise. In fact, the Plan appears to rewrite (or misread) the history of rural networks in the United States. In chapter 8 of the Plan (“Availability”), the Commission recommends that “Congress should make clear that state, regional and local governments can build broadband networks.”⁴ Yet the Plan warns “local entities” considering public broadband networks to do so “only after trying to work with established carriers to meet local needs.”

The Plan then claims that this local, self-help initiative “is similar to how some municipalities responded in the early part of the 20th century when investor-owned electric utilities left rural America in the dark while they electrified more lucrative urban centers.” In fact, municipalities had little to do

1 The source of this “many have expressed concerns” opinion is Craig Dingwall, a former Sprint executive-turned-telecom attorney whose clients, according to his website, consist solely of telecom and cable providers and related for-profit firms. See <<http://www.tlgdc.com/CDingwall.html>>.

2 In footnote 308, the Report adds: “we note that at least 35 states have considered limiting municipal broadband, and at least 19 states have enacted legislation specifically addressing this for broadband.” Yet the footnote neglects to add that a single interest group—cable and telecom providers—is behind each of these legislative actions. The Report’s failure to qualify the scope and nature of opposition to public networks reveals an unjustifiable bias against this business model. See Report on Rural Broadband Strategy, p. 53.

3 This bias may also be reflected in the Report's description of the Rural Utilities Service (RUS) grant and loan programs to promote rural broadband deployment. Only three recipients of RUS funding are named: International Broadband Electric Communications, Inc., Rural Telephone Service Co., and Air Advantage LLC. All three are for-profit providers. See Report, sections 50-53, pp. 22-24.

4 See National Broadband Plan, Recommendation 8-19. <<http://www.broadband.gov/plan/8-availability/>>.

with the grassroots push for rural electrification in the 1930s.⁵ Yet, in one sentence, the Plan transforms these private-sector cooperatives into government-owned public networks.

The Plan then piles on a caveat that could have been written by a telecom lobbyist: “Municipal broadband has risks. Municipally financed service may discourage investment by private companies. Before embarking on any type of broadband buildout, whether wired or wireless, towns and cities should try to attract private sector broadband investment.” In fact, there is a growing body of evidence that community-based networks increase broadband competition, actually increasing private-sector investment.⁶

Submerging private, nonprofit networks under the contested banner of municipal broadband clearly biases the Plan toward the only alternative: for-profit networks. Clearly, for-profit networks currently dominate broadband services in America. But this status quo should not drive public policy for rural broadband, especially given the nation's history of nonprofit rural networks. Rural communities and decision-makers should have all available options on the table in determining the best broadband strategies and solutions.

We respectfully urge the Commission to move swiftly to correct and clarify this misrepresentation of nonprofit networks as government-owned networks. We also urge the Commission to acknowledge the success of municipal broadband networks in spurring competition and private investment. We do not seek special consideration for nonprofit business models. We only seek a neutral, unbiased assessment of all possible rural broadband business models and solutions.

Recommendation II: Local Job-Creation and Social Capital Formation Benchmarks

The history of progress in rural America is not only about technology and infrastructure; it is also about human capital as evidenced by a long history of grassroots “self-help” community organizing, social capital formation, local accountability, and long-term sustainability.

The 2009 Report envisions rural networks based on “principles of durability, reliability, openness, scalability, and interoperability...” We urge the Commission to include two additional principles: local job-creation and social capital formation.

We seek these benchmarks because the creation of local jobs in the construction and operation of rural networks is a barometer of the human and social capital essential for long-term maintenance, accountability, and sustainability of these networks.

Commercial providers have economies of scale that may allow them to construct and even operate rural broadband networks at lower cost in the short-term.⁷ But the Commission's statutory mandate is for a “comprehensive rural broadband strategy” that addresses both “short and long-term needs assessments and solutions.” The Report wisely notes that this strategy “should not elevate the need for short-term

5 In 2003, Jim Andrew, former president of the National Rural Electric Cooperative Association (NRECA), described how farmers in mostly unincorporated areas drew on their experience with farm cooperatives to form the impetus for rural electrification in the 1930s in the proceedings of the NRECA international conference, “Sustainable Rural Electrification and Developing Countries: Is It Possible?” March 6-7, 2003, p. 4.

6 See Anderson, Nate. “Want 50Mbps Internet in your town? Threaten to roll out your own.” *ars technica*. 27 Oct. 2009. <<http://arstechnica.com/tech-policy/news/2009/10/want-50mbps-internet-in-your-town-threaten-to-roll-out-your-own.ars>>

progress over longer-term objectives.”

The Report states that “No national broadband strategy can be undertaken without due consideration to the rural broadband infrastructure and the people it must serve,” and that “the federal government [must] collaborate and coordinate with community and advocacy organizations in rural areas [because] community and local advocacy groups are an essential component to the success of deploying broadband in rural areas.”

In meeting these goals, the Commission will learn that rural economic development officials see social-capital formation as a critical ingredient in their business-incubation and job-creation strategies. Rural communities are especially cognizant of the value of social capital because they lack access to financial capital available to urban communities.

In setting benchmarks for local job-creation and social capital formation, the Commission should review the history of rural electric and telephone cooperatives over the last seven decades. The remarkable success of these networks is directly tied to non-technological factors such as local accountability and community reinvestment of financial and social capital. Historians of rural electrification have long noted that these locally-owned networks are far more than physical infrastructure delivering an essential service; they embody “core values of social justice and equality in serving less populated areas” by helping rural communities evolve from dependency and helplessness to independence and self-reliance.⁸

“Technologies, energy or otherwise, embody specific forms of power and authority,” notes Dr. Griffin Thompson, an authority on energy, technology, and rural development now with the U.S. State Department. How these technologies are deployed and who controls them play a role “in the promotion or the thwarting of the democratic values that animate our individual and collective behavior,” says Thompson.

Dr. Thompson's comments were made at an international gathering on Sustainable Rural Electrification in Developing Countries. Every presenter found linkages between the launch of an electrical network and social capital benefits produced by community ownership and management of that network. Local ownership of technological networks, argues Thompson, empowers communities “to take control of the lifeline of infrastructure service delivery and match it to their own social, economic, and political circumstances.”⁹ He likens this local control to one of America's most basic democratic values: “that individual liberty and social justice can best be actualized when decision-making structures our closest to the individual.” It would be tragically ironic if the lessons of economic empowerment, social capital formation, and democratic values we advocate for rural communities abroad are overlooked here at home.

Building sustainable rural networks is not simply a matter of selecting an appropriate technology and the lowest bidder. Human and social capital matter, especially in rural areas where lack of access to

7 However, historians of rural electrification have noted that rural cooperatives built and operated their networks more efficiently than investor-owned utilities (IOU). According to Paul Wolman, a consultant to the World Bank, “the cooperative's costs were around \$800 per mile of distribution line as opposed to the utilities' \$1500.” *See supra* note 5, p. 5.

8 *See supra* note 5, p. 1

9 To illustrate the point, Thompson quotes NRECA chief Glenn English: “At the coop, business as usual means accountability to member customers, it means democratic control and oversight of a business that is owned and operated by those it serves, and it means doing business in your community with folks you know you can trust.” Deconstructing this quotation, Thompson finds “key themes surrounding the pursuit of democratization, such as civil society, local ownership, and trust. These are increasingly being referred to as 'social capital'.” *See supra* note 5, p. 11-12.

financial capital has traditionally forced communities to rely on social capital and self-help initiatives such as barn-raising, purchasing and storage co-ops, and credit unions.

We strongly urge the Commission to consider that rural communities today are even more vulnerable to the loss of human and social capital than were rural communities 50 or 75 years ago. Today, social scientists note, “persons who used to own or manage local enterprises become branch managers, passing through the area on career ladders that will eventually take them to a corporate headquarters,” rather than moving into roles as rural leaders.¹⁰ “The threat can be acute in small areas because business organizations are consolidating in fewer, large financial and technology centers. Mergers and other consolidations reduce the number of business leaders who can reach the top of their field while putting down roots in the community.”¹¹

To avoid the unintended consequence of facilitating the ongoing loss of human and social capital in rural communities, the Commission should establish a clear and quantifiable assessments of rural broadband strategies and solutions to measure local job-creation and social-capital formation. For example, the Commission's assessment could pose this question: “Will jobs created to manage and operate the proposed network over the long-term be local, or outsourced overseas, or consolidated in urban centers?”¹²

America's rural communities are all too familiar with the phenomenon of state or federally subsidized projects left to atrophy once start-up funding or tax incentives are depleted. The long-term success of rural electric and telephone cooperatives is due in no small measure to the fact that these networks put down deep roots in the communities they serve. These community-owned networks create sustainable local jobs to support social capital formation. This human capital, in turn, ensures greater accountability for network infrastructure and operations, thereby strengthening the network's long-term sustainability. As the history of these nonprofit, private-sector networks amply demonstrates, local stakeholders are far more likely to be good stewards of federal subsidies over the long-term. At this time of historic deficits and long-term debt, this is a history lesson the nation cannot afford to ignore. By creating assessment benchmarks for local job-creation and social capital formation, the Commission can assure Congress and the American people that our investments in rural broadband infrastructure are sound.

Finally, we commend the Commission and its 2009 Report for its recommendation that:

- * “the federal government collaborate and coordinate with community and advocacy organizations in rural areas,”
- * the Commission include proposals “to address and ameliorate the unique challenges presented to rural minority communities and persons with disabilities residing in rural areas,”
- * an inventory of successful state and local projects and “best practices” be compiled.¹³

10 See Blair and Carroll, “Social Capital and Local Economic Development Practice,” *Economic Development Journal*, Summer 2008, Vol. 7, No. 3.

11 Ibid.

12 In the rural mountain counties in North Carolina, for example, the incumbent cable and telephone companies have outsourced technical-support jobs once held by local residents. Likewise, once-local administrative and network operations staff are now consolidated in urban hubs like Charlotte, Atlanta, G.A., and Greenville, S.C.

13 Some “best practices” networks illustrating the wide range of possible business models for rural broadband providers might include: Digital Redwoods, Eureka, CA. <http://www.digitalredwoods.net>; Tribal Digital Village, San Diego, CA. <http://www.sctdv.net>; ERC Broadband, Asheville, N.C. <http://www.ercbroadband.org>; Polk Area Network for Government, Academic and Enterprise Activities (PANGAEA), Tryon, N.C. <http://pangaea.us>; French Broad Electric Membership Corp., Marshall, N.C. <http://www.frenchbroademc.com>; Mountain Area Information Network (MAIN), Asheville, N.C.

Recommendation III: Clarify Universal Service Fund (USF) Eligibility

Congress and the Commission have embarked on USF reform to re-allocate approximately \$7 billion a year for broadband buildout in rural and other underserved areas. We therefore urge the Commission to clarify the entities eligible for these subsidies in order to provide rural communities and decision-makers with the widest possible range of strategies and solutions.

The origins of USF monies are the fees paid by millions of Americans each month via their phone bill. Though the Commission describes these monies as “contributions” from telephone providers, it is well known that the providers pass-through these fees to their subscribers each month. We know of no instance to the contrary. Therefore, the Commission should clarify that it is the custodian of USF monies on behalf of the American people, not the carriers.

This clarification will help ensure that rural communities have the liberty to explore all available broadband business models, rather than having those models preselected by government officials or telecom lobbyists.

In this reply, we have documented how the 2009 Report biased its recommendations, inadvertently or not, in favor of for-profit entities and business models. We also documented how some business models are more appropriate and effective in low-density rural communities than others. We urge the Commission to take all necessary steps to adopt a “neutral-basis” methodology for assessing potential rural broadband business models as it develops and implements policies for USF reform. To this end, we reiterate our call for the Commission to correct and clarify instances that misrepresent the history of rural networks, omit or downplay the potential of nonprofit networks, or otherwise exhibit bias in favor of for-profit networks.