Before the
Federal Communications Commission
Washington, DC 20554

In re:	)	
	)	
CHALLENGES TO BROADBAND	)	GN Docket Nos. 09-47, and 09-137
DEPLOYMENT FINANCING	)	

To: The Commission

COMMENTS – NBP PUBLIC NOTICE # 28

NTCH, Inc. ("NTCH") offers these comments in response to the Commission's request for input on ways to improve financing opportunities for broadband deployment. NTCH is a Tier III wireless carrier which often strives to provide competitive services in markets and regions which have been underserved by the majors. It knows firsthand the problems which face entrepreneurs who are attempting to launch new or competing broadband services in these difficult markets. NTCH is submitting these comments because it feels strongly that some of the current government efforts to finance or support broadband deployment are a perfect illustration of the law of unintended consequences: they are actually *retarding* broadband deployment in key respects rather than facilitating it. As will be set forth below, federal efforts in this area should be minimized and narrowly targeted at overcoming the obstacles that most directly impede broadband roll-outs. As requested by the Commission's Public Notice, NTCH will follow the format of the six questions posed.

1. Which existing federal programs can create incentives for private investment in broadband deployment?

The government's current RUS loan programs and USF funding mechanisms are having a dampening effect on competition, contrary to their intended purpose. The USF program significantly over-subsidizes incumbent LECs in rural areas. The subsidy (uncapped in growth, unlike the comparable subsidy available to wireless carriers) permits these legacy firms to enjoy a huge competitive advantage over newcomers. Their systems have been built out and continue to be sustained with funds from the USF program. The effect is to artificially prop up traditional wireline services which are usually not the most efficient or economical means of delivering either voice or broadband service to remotely situated rural customers. But because these services are so heavily subsidized, alternative carriers who might be willing to enter these markets and compete on a level playing field cannot do so. Instead of fostering new entrants, the current system actually entrenches the obsolete and bloated legacy providers and forestalls any hope of competition.

In other cases, RUS loan programs coupled with USF subsidies to CETCs skew the market in the other direction. Some markets simply cannot sustain more than one or two competing service providers. Yet the availability of low rate loans and USF grants to an unlimited number of competing carriers encourages multiple carriers to enter markets that could not otherwise support them. All of the carriers involved cannot possibly earn sufficient rates of return to continue as stand-alone providers. They become dependent on subsidies because they are the margin of survival. The result is that some markets are seriously *overbuilt* – they have more service capacity than pure economics would ever warrant. The American public ultimately picks up the tab for these unnecessary facilities. At the same time, some carriers like NTCH who prefer to compete based on the economics of the market and the actual needs of the public are discouraged from entering because they must compete with subsidized carriers.

The situation would be significantly improved if these government funds were totally withdrawn from the process, leaving marketplace forces to drive which enterprises succeed or fail. Only in situations where there is a complete market failure (*i.e.*, an absence of any service by a privately funded enterprise) should subsidies or loans be provided. The government's efforts could more productively be directed at reining in the exorbitant interconnection charges imposed by rural LECs. These bottleneck charges are often set so high as to block competing providers from having any chance at entering the market, yet the Commission and state PUCs do little or nothing to prevent this type of anti-competitive abuse.

1(a). What current federal programs are models for innovative financing?

None of the current programs offer a useful model. As noted above, the various current support mechanisms are largely counterproductive and a waste of billions of dollars in taxpayer money. We believe that in the absence of market-skewing subsidies, both major national firms and smaller, locally targeted companies would gladly enter many rural markets and provide high quality service at competitive prices. Plain old competition would then operate to deliver and continually enhance price and quality of service in these areas.

1(b). What types of federal and private funding are best suited to different contexts?

If federal funds are to be directed anywhere, they could most usefully be directed at financing the infrastructure that is needed to provide broadband service (*i.e.*, towers and backhaul facilities). The dearth of these facilities is the true roadblock to the deployment of new and competing broadband services. The broadband stimulus program seems, quite correctly, to be prioritizing grants to these types of projects. If construction of these facilities were given government support (with access to the facilities available to all carriers on a non-discriminatory basis), broadband service could be expanded rapidly and competition would be promoted. This funding would have concrete, measurable results in the form of new towers and microwave or fiber hops that could be put to immediate use. Ownership of the facilities so constructed should probably be in private hands to ensure proper maintenance and support for the structures, but the rents at the towers could be set by the government at a low subsidized rate as necessary to encourage carriers to install their own last mile facilities to provide service to customers.

2. What new financing methods should be used to encourage entrepreneurship?

True entrepreneurs overcome the barriers government sets in their path. True entrepreneurs do not need government help to identify a need and devise a way to meet it. True entrepreneurs just want government to get out of the way. Government subsidies skew the working of the market in perverse ways in many rural markets. NTCH has been stymied from providing quality service in some rural areas due to exorbitant interconnection charges which are imposed by highly subsidized LECs. These firms receive subsidies so that their customers can have phone service at rates comparable to those enjoyed by citizens of the big cities. Yet when it comes to interconnection charges to potential competitors, these same companies levy charges as much as 100 times higher than urban charges, thus setting an insurmountable economic barrier to new competition in their markets. Gold plating is also not uncommon. NTCH ran into one situation where a rural LEC was employing *six times* as many people in its accounting department as NTCH, despite serving an area one-hundredth of the size of NTCH's area. Of course, all of those accountants go into the "high cost" equation which justifies their subsidy. The subsidization mentality was so engrained in the mindset of the local population that NTCH could not break into the market, despite providing a better quality service at a lower price. The best new financing method may be no financing method, including the elimination of the current subsidy framework.

2(a). How would new and existing financing vehicles be structured and administered to incent private sector financing?

As set forth above, the only new financing vehicle which should be established is one which provides support for the construction of towers and backhaul facilities in rural areas. That is where government dollars can do the most immediate and long-term good while also doing the least harm to competitive incentives. Other than that, the government should get out of the business of tampering with what could be a very competitive private market if subsidies did not distort the economics of the situation.

2(b). Are there new financing vehicles for broadband that have not been considered?

The financing model that should govern here applies on a macroeconomic level. The federal government could help this nascent industry the most by simply reducing its current multi-trillion dollar debt, borrowing less money in the future to fund ventures like broadband deployment that need no government funding, avoiding foreign wars that drain the economy and require increased borrowing, and ceasing the bailouts that saved large companies from their own folly. By setting the American economy on a fiscally responsible path that involves a substantial reduction in federal borrowing, the government would free up enormous capital for private entrepreneurs to put to use on domestic broadband investment. In short, if the government would stop excessive borrowing itself, the shortage of debt and equity capital in the private markets would go away. NTCH recognizes that it is not within the FCC's power to address the national debt, but it can do its part by not advocating policies which will simply make the debt situation worse and thus indirectly harm the very broadband industry that it is trying to foster.

Respectfully submitted,

NTCH, Inc.

By_______/s/______________
Donald J. Evans