

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554**

In the Matter of

Connect America Fund

WC Docket No. 10-90

High-Cost Universal Service Support

WC Docket No. 05-337

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**JOINT MICHIGAN COMPETITORS' COMMENTS ON THE DESIGN OF AND  
DATA INPUTS TO THE FORWARD-LOOKING COST MODEL FOR PHASE  
II OF THE CONNECT AMERICA FUND**

July 9, 2012

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## **I. Introduction**

On November 18, 2011, the Federal Communications Commission (the “Commission”) released the *USF/ICC Transformation Order*, 26 FCC Rcd 17663 (2011), which comprehensively reformed and modernized the universal service and intercarrier compensation systems. As part of the universal service reform, the Commission established the Connect America Fund (“CAF”) to, among other things, “bring broadband to unserved areas.” *USF/ICC Transformation Order*, ¶ 115. The Commission provided support in high-cost areas served by price cap carriers in two phases. In CAF Phase I, the Commission froze existing high-cost support for price cap carriers, and allocated up to \$300 million in additional support to such carriers “to spur the deployment of broadband in unserved areas.” *Id.* at ¶ 128. In CAF Phase II, the Commission established an annual budget of no more than \$1.8 billion to be distributed using “a combination of competitive bidding and a new forward-looking model of the cost of constructing modern multi-purpose networks.” *Id.* at ¶ 156. The Commission delegated to the Bureau “the authority to select the specific engineering cost model and associated inputs.” *Id.* at ¶ 187. On June 8, 2012, the FCC’s Wireline Competition Bureau (the “Bureau”) released a Public Notice seeking comment on various aspects of the model design and data inputs for CAF Phase II (the “Notice”).

TelNet Worldwide, Inc. (“TelNet”), TC3 Telecom, Inc. (“TC3”), Air Advantage, LLC (“Air Advantage”), Rockford Telephone Company, Inc. (“Rockford”), Sparta Telephone Company, Inc. (“Sparta”), and Clear Rate Communications, Inc. (“Clear Rate”) are all competitive providers of voice and broadband services in the State of Michigan (collectively, the “Joint Michigan Competitors”). The Joint Michigan Competitors provide their comments to request that the Bureau and the

Commission ensure (1) that competitors are permitted significant opportunity to provide input on which areas are served by unsubsidized competitors, (2) that competitors are permitted a continuing ability to challenge which areas are eligible for CAF Phase II subsidies, (3) that the model does not calculate support for those locations already offered broadband service, and (4) that competitors are provided interconnection and unbundled access to subsidized networks.

## **II. Discussion**

### **A. Competitors must be permitted significant opportunity to provide input on which areas are served by unsubsidized competitors.**

The Bureau properly pointed out that the broadband “footprints of unsubsidized competitors are ineligible for support, so a data source for their footprints is essential.” Notice at ¶ 81. The Bureau sought comment on two possible sources of data regarding existing broadband footprints: (1) the State Broadband Initiative (“SBI”) data collected for the National Broadband Map, or (2) augmenting the SBI data with other data sources that would improve its reliability by correcting the most significant errors in the SBI data. Notice at ¶¶ 82-83.

The data used to determine the footprints of unsubsidized competitors must be as accurate and up-to-date as possible. As such, competitive providers must be permitted an opportunity to provide input to the SBI data to improve the accuracy of such data. The Commission stated that its USF reforms “generally advance the principle of competitive neutrality by limiting support to only those areas of the nation that lack unsubsidized providers.” *USF/ICC Transformation Order*, ¶ 177. The Commission specifically emphasized that “providers that offer service without subsidy *will no longer face competitors whose service in the same area is subsidized by federal universal*

*service funding.*” *Id.* (emphasis supplied). Therefore, existing competitors – those businesses that have already accepted the challenge to invest their capital in rural regions - must be afforded maximum opportunity to provide essential input into which areas are served by unsubsidized competitors to ensure that such competitors are not competing with subsidized providers.

A May 30, 2012 press release from Connect Michigan reveals that only a very small portion of Michigan is currently underserved. See Attachment A. Connect Michigan shows the following:

- 95.39% of Michigan residents have access to fixed broadband speeds of 3 Mbps download/768 Kbps upload;
- 92.33% of Michigan households can access broadband at advertised speeds of 6 Mbps download/1.5 Mbps upload (excluding mobile and satellite services);
- 92.41% of Michigan households have the ability to choose broadband service from two or more non-mobile broadband providers.

As stated by Mr. Eric Frederick, state program manager for Connect Michigan, “the efforts to bridge the broadband access gap are showing clear results.” See Attachment A. Because of the growing availability of broadband service in Michigan and throughout the nation, it is vital that the Bureau correctly identifies those areas served by unsubsidized competitors and thus ineligible for support.

The Commission has already established a procedure whereby competitors will be permitted to comment on whether an area is served by an unsubsidized competitor. The Commission stated:

Following adoption of the cost model, which we anticipate will be before the end of 2012, the Bureau will publish a list of all eligible census blocks associated with each incumbent price cap carrier within each state. After the list is published, there will be an opportunity for comments and data to be filed to challenge the determination of whether or not areas are unserved by an unsubsidized competitor.

*USF/ICC Transformation Order*, ¶ 171. Such a procedure is essential to the fundamental concept of competition. To ensure that competitors are able to continue to provide high-quality, competitive broadband service to their customers, competitors should not be required to compete with providers that receive government subsidies.

The Bureau must establish a procedure that provides existing competitors extensive input into which areas are served by an unsubsidized competitor. Such input includes permitting competitors to challenge the list of census blocks eligible for support following the adoption of the cost model, as well as offering data that would minimize future challenges following the adoption of the model. Competitors can offer much information that would be beneficial to the Bureau as it develops the details of their current broadband footprint, and where competitors have immediate plans to expand their broadband offerings. For example, a number of privately financed competitive providers are offering a fixed wireless broadband product in Michigan, and are planning on expanding such offerings. Such providers can assist the Bureau in verifying those areas where they are providing fixed wireless broadband, and add them to the list of areas served by unsubsidized competitors. *See USF/ICC Transformation Order*, ¶ 103, note 169 (stating that a fixed voice and broadband service encompasses fixed wireless broadband services). The Bureau should take all of this information into account in determining those areas that are served by an unsubsidized competitor.

**B. Competitors must be permitted a continuing ability to challenge which areas are eligible for CAF Phase II subsidies.**

As discussed, broadband is becoming increasingly more available in Michigan. See Attachment A. This increased availability is due to, among other things, the expansion of innovative broadband offerings by competitors. In addition to private financing to fund their expansion pro-

jects, several competitive providers in Michigan are also funding the build-out of broadband networks using stimulus funding pursuant to the America Reinvestment Recovery Act (“ARRA”).

The annual support being offered to price cap carriers under CAF Phase II is for a period of five years. *USF/ICC Transformation Order*, ¶ 166. However, given the distinct likelihood that some unsubsidized competitors would be able to more quickly provide broadband service to certain of these same areas within the five-year period, competitors should have the opportunity in the future to petition the Commission to remove an area from the subsidized list once a competitor is providing service to such area. Otherwise, privately financed and ARRA-funded providers will have greatly reduced incentives to invest and expand into such areas.

Given the advances in fixed wireless technology, it has become feasible for competitors to provide broadband to customers in rural areas where broadband was not previously able to be economically provided, or where the only broadband option was the local incumbent provider. As such, expansion of fixed wireless broadband offerings, in addition to more traditional wireline offerings, is continuing to occur in Michigan. For example, just among the Joint Michigan Competitors, TC3 is currently planning to increase the coverage of its fixed wireless broadband service in the Michigan counties of Lenawee and Monroe, including plans to add at least one tower this year. This fixed wireless expansion will cover a significant portion of underserved areas. TC3 has also invested in launching wireline broadband services in Hillsdale and Jonesville in Michigan within the next 12 months.

In addition, Air Advantage is working to complete a 450-mile fiber ring *this year*, and to expand Air Advantage’s fixed wireless footprint to cover the Michigan counties of Huron, Tuscola, Sanilac, Saginaw, Macomb, Oakland, Midland, Bay, Genesee, Shiawassee, Livingston, Lapeer, and St.

Clair. Air Advantage is also continuing to evaluate opportunities to expand into additional Michigan counties within the next three years, with a focus on extending service to unserved rural markets. The plans of these two companies represent only a very small sampling of the expansion plans of competitors in Michigan.

Another example of the ever increasing availability of broadband in Michigan can be seen in the fact that Merit Network (“Merit”) is in the midst of constructing a 2,287 mile-long fiber network funded through federal stimulus grants and private investment. See Attachment B. Merit will use the network to connect Community Anchor Institutions, and commercial sub-recipients on the project will provide broadband service to homes and businesses. In addition, the Merit network is an open-access network, providing access to the network at reasonable rates and terms. Thus, the Merit project provides a network infrastructure that will significantly increase the availability of broadband services in Michigan. However, the Merit project is not expected to be completed until late summer of 2013.<sup>1</sup>

In establishing broadband networks to be funded in the next five years by government subsidies, clearly the Commission should, at a minimum, exclude from support the expansion project footprints of unsubsidized competitors that have commenced, even if such projects won’t be completed for one or two years.

It is essential that privately and ARRA-funded providers in Michigan be able to continue to expand their broadband service offerings to areas in Michigan without concern that they will be required to compete with price cap carriers that are obtaining subsidies to provide service in the same areas. As discussed, the Commission stated that, as a result of its reform, “providers that offer ser-

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<sup>1</sup> See FAQs available at <http://www.merit.edu/meritformichigan/faq/>.

vice without subsidy will no longer face competitors whose service in the same area is subsidized by federal universal service funding.” *USF/ICC Transformation Order*, ¶ 177. However, if price cap carriers are provided five years of support, and competitors have no ability to make additional challenges to whether an area should continue to be subsidized, then the only way for competitors to avoid competing with subsidized carriers is to halt their expansion projects before or when CAF Phase II is implemented.

The Commission has stated that the “purpose of the five-year commitment is to establish a limited, one-time opportunity for the rapid deployment of broadband services over a large geographic area.” *USF/ICC Transformation Order*, ¶ 177. But the Commission did not intend to discourage all competition in the subsidized areas for an entire five years. In fact, the Commission stated that its reforms advanced competitive neutrality because it limited support to those areas that lack unsubsidized providers. *Id.* The question of whether there is an unsubsidized provider offering broadband service to a certain area is not a snapshot question to be answered only once at the beginning of CAF Phase II. As shown above, the availability of broadband service *is constantly evolving*, with broadband steadily becoming more available to more households. If a competitor is willing to risk its own resources in expanding services to a subsidized area after the beginning of CAF Phase II and successfully achieves its objective, the price cap carrier should no longer be permitted a subsidy to serve the same area.

To ensure that competitors are not discouraged from investing in and offering broadband services in the subsidized areas of the price cap carriers during the five-year CAF Phase II period, a process should be established to permit the competitors to challenge whether an area should continue to be eligible for subsidies. Presumably, price cap carriers will not immediately begin building

broadband networks in all underserved areas of a state simultaneously. More likely, the buildout would occur sequentially with some areas being first in line and other areas being last in line. If during the five-year period, an unsubsidized competitor were to build broadband in an area before the subsidized provider began construction, under the Commission's rationale, no economic justification would exist to subsidize the tardy price cap provider.

One procedure that could be established would be for a competitor to provide notice to the Commission and the price cap carrier of its intention to expand into a subsidized area and within an established amount of time to complete construction and begin providing service. Such notice would provide the price cap carrier with information so that it could stop planning for a future buildout in that area. Once construction is complete and the competitor is offering service, the competitor could again provide notice to the Commission and the price cap carrier, at which time the price cap carrier would no longer be eligible to receive government funds to build out a duplicative broadband network in such area.

Section 706 of the Federal Telecommunications Act (the "Federal Act") requires the Commission to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans . . . by utilizing, in a manner consistent with the public interest, convenience, and necessity, . . . measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure investment." 47 U.S.C. § 1302(a). Allowing competitors the opportunity to continue to expand into subsidized areas without fear that they will be competing with a subsidized competitor will "promote competition in the local telecommunications market," and remove barriers to competitor investment in broadband infrastructure. Competition is in the public interest – it results in a superior product at a reduced cost.

The Bureau and the Commission should not foreclose the availability of competition in price cap carrier areas just because an unsubsidized competitor did not provide service in such area at the beginning of CAF Phase II. Instead, the Bureau and the Commission must ensure that competitors have the incentive to continue to expand into subsidized areas without being forced to compete with a subsidized carrier once such expansion has occurred.

**C. The model must not calculate support levels for locations already offered broadband service.**

The Bureau noted that high-cost areas are likely to include a mix of both served and unserved locations, and sought comment on whether the model should include and calculate support for high-cost areas that are already served. Notice at ¶ 60. If the model includes served areas, the Bureau stated that “areas that meet a certain cost threshold would receive support regardless of existing broadband deployment.” Notice at ¶ 61. If served areas are not included, the Bureau stated that “some carriers might be worse off for having aggressively deployed broadband service, perhaps using legacy high-cost support, prior to the implementation of CAF Phase II.” *Id.* The Bureau also noted that including served areas is consistent with the green-field modeling approach, but that it “may be more difficult under a brown-field model to implement an approach that supports areas with existing broadband deployment.” *Id.* If the model excludes served areas, the Bureau stated that “costs would be included and support provided only to areas that do not already have broadband that meets the broadband public interest obligations.” *Id.* at ¶ 62. This approach “would allow targeting of support to completely unserved areas and would not support providers that may have deployed to certain high-cost areas for which unsubsidized business cases may exist,” but would also exclude areas “to which broadband deployment was made possible only by legacy high-cost sup-

port.” *Id.* The Bureau indicated that excluding served areas “may be more consistent with a brown-field modeling approach because of its focus on the additional costs associated with network upgrades.” *Id.* The Bureau proposed “to include areas that already are served by broadband in cost and support calculations.” *Id.* at ¶ 63.

The model should not calculate support levels for areas already served by broadband. When establishing the CAF subsidy for price cap carriers, the Commission was clearly concerned with deploying broadband to unserved areas. The Commission stated that “[m]ore than 83 percent of the approximately 18 million Americans who **lack access to fixed broadband** live in price cap study areas,” and that CAF Phase II “will use a combination of a forward-looking broadband cost model and competitive bidding to **efficiently support deployment of networks** providing both voice and broadband service for a five-year period.” *USF/ICC Transformation Order*, ¶ 127 (emphasis supplied). The Commission supported its decision to permit the incumbent carriers the initial opportunity to accept the CAF Phase II subsidy by stating that “the purpose of the five-year commitment is to establish a limited, one-time opportunity for **the rapid deployment of broadband services** over a large geographic area,” and that incumbent LECs are “in a unique position **to deploy broadband networks rapidly and efficiently** in such areas.” *USF/ICC Transformation Order*, ¶ 177 (emphasis supplied). The Commission also emphasized the limited scope and duration of the state-level commitment procedure, and stated that incumbent LECs “are afforded only a one-time opportunity to make a commitment **to build out broadband networks** throughout their service areas within the state.” *USF/ICC Transformation Order*, ¶ 178 (emphasis supplied).

The Commission’s goal of “the rapid deployment of broadband services” and its decision to first subsidize the incumbent LECs “to deploy broadband networks rapidly and efficiently” support

excluding areas where broadband is already being provided. Although the Bureau expresses concern that carriers might have extended broadband in their service territories using high-cost support, the Bureau correctly points out that there are other possible reasons that carriers have deployed broadband service in high-cost areas. See Notice at ¶ 61. For example, a carrier could have deployed broadband to high-cost areas “for which unsubsidized business cases may exist.” *Id.* at ¶ 62. In addition, a carrier could have received another subsidy (such as stimulus funding) to build out its broadband network to unserved areas. If a carrier has already received a subsidy to build out its broadband network, the carrier should not be subsidized twice by also permitting the carrier to collect CAF Phase II support.

**1. CAF Phase II support must not be available to price cap carriers that have made previous regulatory commitments to provide broadband service.**

Another circumstance where a price cap carrier should not be afforded CAF Phase II support is where the carrier has made previous regulatory commitments to provide broadband service in its service territories. As the Commission recognized, Frontier Communications (“Frontier”) is one such carrier that has made a previous commitment to the Commission to expand the provision of broadband service in Frontier’s service territories. The Commission stated:

We note that Frontier Communications has already committed, pursuant to the transfer of Verizon properties to Frontier, to the following: Within areas transferred from Verizon to Frontier, Frontier will offer broadband service delivering at least 4 Mbps downstream to at least 70 percent of housing units by the end of 2012, to at least 75 percent of housing units by the end of 2013, to at least 80 percent of housing units by the end of 2014, and to at least 85 percent of housing units by the end of 2015. Frontier will offer at least 1 Mbps upstream to those housing units built after the transaction closed. Frontier will offer these services to both residential and small business users. *In the Matter of Applications Filed by Frontier Communications Corp. & Ver-*

*izon Communications Inc. for Assignment or Transfer of Control*, 25 FCC Rcd 5972, 6001 (2010).

*USF/ICC Transformation Order*, ¶ 146, n. 233.

Frontier made a commitment to offer broadband service in exchange for obtaining Commission approval of the transfer of Verizon properties to Frontier. In considering whether to approve the transaction between Frontier and Verizon, the Commission considered “whether the transaction is likely to generate verifiable, transaction-specific public interest benefits,” and “whether post-transaction Frontier will be able and is likely to pursue business strategies resulting in demonstrable and verifiable benefits that would not be pursued but for the transaction.” *In the Matter of Applications Filed by Frontier Communications Corp. & Verizon Communications Inc. for Assignment or Transfer of Control*, 25 FCC Rcd 5972, ¶ 46 (2010). The Commission noted that the “primary public interest benefit claimed by the Applicants is increased broadband deployment in the transaction market area.” *Id.* at ¶ 50. The Commission found “Frontier’s broadband deployment commitments to be a substantial public interest benefit,” and stated that Frontier’s voluntary commitments “will ensure that broadband is available to more than 1.2 million housing units, many of them in rural America, that currently do not have access to DSL, and will provide a total of more than 4.3 million housing units – accounting for approximately 11.3 million Americans – access to DSL with actual speeds of 4 Mbps download and 1 Mbps upload, consistent with the goals in the National Broadband Plan.” *Id.* at ¶ 52 (footnotes omitted). The Commission emphasized that “***these voluntary commitments rely on private investment, and do not rely on public funding sources such as universal service support.***” *Id.* at ¶ 53 (emphasis supplied). Frontier should not be permitted to now obtain public CAF Phase II funding in order to fulfill the voluntary commitments upon which the Commission relied to approve the transaction.

As indicated, Frontier committed to offering broadband service delivering at least 4 Mbps downstream to at least 70 percent of housing units by the end of 2012, to at least 75 percent of housing units by the end of 2013, to at least 80 percent of housing units by the end of 2014, and to at least 85 percent of housing units by the end of 2015. All of these dates by which Frontier has committed to offer broadband service are well within the five-year support period established in CAF Phase II. Thus, if the Bureau and the Commission permit Frontier to receive CAF Phase II support, Frontier will be relieved of the previous commitment it made to the Commission to offer privately-funded broadband service in connection with the transfer of Verizon properties to Frontier.

As the Commission stated, CAF Phase II funding is designed to support “the rapid deployment of broadband services” and “to deploy broadband networks rapidly and efficiently.” CAF Phase II support should *not* be used to subsidize broadband networks that would exist absent any such funding. Instead, CAF Phase II support should be used to ensure that broadband networks are deployed in those areas that are currently unserved or underserved, and those areas already served must be excluded.

**D. Competitors must be provided interconnection and unbundled access to subsidized networks.**

As the Commission has indicated, “[i]nterconnection among communications networks is critical given the role of network effects,” and “interconnection among voice communications networks has enabled competition and the associated consumer benefits that brings through innovation and reduced prices.” *USF/ICC Transformation Order*, ¶ 1009. Given the importance of interconnection in enabling competition and its associated benefits to consumers, price cap carriers that receive

CAF support should be explicitly required to make interconnection on their subsidized networks available to competitors on an unbundled basis. Providing competitors with unbundled access to the price cap carriers' subsidized networks will provide immediate benefits to consumers in that, even where it will be cost-prohibitive for a competitor to build out a broadband network absent the subsidy, consumers will have the benefit of "innovation and reduced prices" that competition brings.

Also, the price cap carriers would not be harmed by permitting competitors unbundled access to their subsidized networks because they would receive fair compensation for such access. Price cap carriers should be compensated at the forward-looking cost of the elements, including the cost of the element and the cost of capital,<sup>2</sup> for a network that the price cap carrier built using the CAF Phase II subsidies.

The Commission should require price cap carriers to provide unbundled access to their subsidized networks, even if that means providing unbundled access to fiber to the home ("FTTH") loops. In the *Triennial Review Order*, the Commission did not require incumbent LECs to provide unbundled access to FTTH loops, concluding that "incumbent LECs have no advantages concerning sunk costs of greenfield FTTH loops – both incumbent LECs and competitive LECs are faced with the same issue in their deployment of such loops." *Triennial Review Order*, FCC 03-36, ¶ 275 (rel'd Aug. 21, 2003) ("TRO"). However, price cap carriers receiving the CAF Phase II subsidy do have an advantage over competitors because they have funding available to them to establish the greenfield FTTH loops that is not available to competitors.

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<sup>2</sup> See 47 C.F.R. § 51.505.

In addition, the Commission further reasoned that “removing incumbent LEC unbundling obligations on FTTH loops will promote the deployment of the network infrastructure necessary to provide broadband services to the mass market.” *TRO*, ¶ 278. If the incumbent LECs were not required to unbundle FTTH loops, the Commission believed that they would have an increased economic incentive to establish FTTH loops. And yet nine years later, the removal of the unbundling obligation on FTTH loops has failed to motivate incumbent LECs to offer broadband services to a sufficient amount of their customers. As a result, the Commission has concluded that the CAF Phase II subsidy is necessary to promote the deployment of broadband. Incumbent LECs will now be *required* to deploy broadband where they accept the CAF Phase II subsidy. Thus, permitting unbundled access to FTTH loops is not a deterrent to price cap carriers deploying broadband service where the carriers have accepted CAF Phase II funding because such carriers are not devoting their own capital to the project. Therefore, as to those FTTH loops deployed as a result of the CAF Phase II subsidy, the Commission’s rationale for prohibiting competitors access to unbundled FTTH loops is no longer valid.

The Bureau and the Commission should ensure that customers in areas subsidized by CAF Phase II support will have the benefits of competition, and provide competitors the fullest extent of interconnection and unbundled access to the subsidized networks.

### **III. Conclusion.**

For all of the reasons stated above, the Joint Michigan Competitors respectfully request that the Bureau and the Commission grant the relief requested in these Comments.

Respectfully submitted,

**AIR ADVANTAGE, LLC; CLEAR RATE  
COMMUNICATIONS, INC.; ROCKFORD  
TELEPHONE COMPANY, INC.; SPARTA  
TELEPHONE COMPANY, INC.; TC3  
TELECOM, INC.; AND TELNET  
WORLDWIDE, INC.**

Dated: July 9, 2012

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# **Attachment A**


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## Recent News // News Release: Connect Michigan Releases New Broadband Availability Figures

Wednesday, May 30, 2012

### **Research shows that broadband access in Michigan continues to grow; 95% of residents now have access to fixed broadband speeds of 3 Mbps download**

[Explore New Access Tables](#)

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**Lansing, MI** – New research unveiled today by Connect Michigan shows that the broadband availability gap in Michigan is shrinking, with 95.39% of Michigan residents now having access to fixed broadband speeds of 3 Mbps download/768 Kbps upload, compared to 93.5% last October.

Nonprofit Connect Michigan has been working since 2009 to ensure that Michigan residents have access to the economic, educational, and quality of life benefits derived from increased broadband access, adoption, and use. Part of that work includes maintaining detailed analysis of broadband availability across the state to support broadband planning efforts. Through its **Connected** program, Connect Michigan is currently working across 9 regions to support comprehensive community broadband planning efforts and provide technical assistance.

#### **Among the findings of the new broadband availability research are:**

- 92.33% of Michigan households can access broadband at advertised speeds of 6 Mbps download/1.5 Mbps upload (excluding mobile and satellite services).
- 91.85% of Michigan households can access broadband at speeds of at least 10 Mbps download/1.5 Mbps upload (excluding mobile and satellite services).
- 96.99% of rural households in Michigan have access to broadband, representing an increase of approximately 50,000 additional rural households gaining access to fixed broadband service since October 2011.
- 83.01% of Michigan households have access to broadband speeds of at least 25 Mbps download.
- Broadband at the basic 768 Kbps/200 Kbps tier is available to 98.21% of Michigan households, up from 96.8% last October (excluding mobile and satellite services).
- 92.41% of Michigan households have the ability to choose broadband service from two or more non-mobile broadband providers.

Michigan has seen a dramatic increase in the availability of broadband at download speeds of 25 Mbps or faster. Increased demand for bandwidth and desire to access more robust online applications by Michigan residents and businesses have led Michigan's broadband providers to invest in significant infrastructure improvements.

"We are encouraged that the efforts to bridge the broadband access gap are showing clear results," said Eric Frederick, state program manager for Connect Michigan. "Connect Michigan is working with communities and broadband providers to continue to bring the empowering technology of broadband to the approximately 178,528 Michigan households that remain underserved."

Last month, Connect Michigan released an innovative new broadband mapping tool called [My ConnectView](#) offering unmatched views of Michigan's technology landscape. Residents and businesses are encouraged to use the interactive map to find area providers and help validate the data. To report that broadband is not available consumers can fill out a [broadband inquiry](#).

Connect Michigan's research was conducted as part of the State Broadband Initiative (SBI) grant program for Michigan, funded by the National Telecommunications and Information Administration (NTIA). The data were gathered in accordance with the requirements of the NTIA. The process begins by contacting all known providers in the state and providing information about the broadband mapping project. Information on broadband service areas is collected from each provider through voluntary participation and is subject to confidentiality protections. Connected

Nation strives to maintain a flexible mapping process to be able to collect data from providers in a variety of formats based on providers' technical capabilities and resources.

# # #

**About Connect Michigan:** As the designated entity for broadband mapping and planning in the state of Michigan, Connect Michigan is a public-private partnership between the Michigan Public Service Commission and Connected Nation to work with local governments, businesses, and citizens in the goal of increasing broadband service in the state's underserved areas. For more information about what Connect Michigan is doing to accelerate technology in Michigan's communities, visit [www.connectmi.org](http://www.connectmi.org).

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# **Attachment B**



# Merit's ARRA Projects

## REACH-3MC Fiber-Optic Network Update

Dec. 2011



## Merit Network is Building 2,287 Mile-Long Fiber-Optic Network Extension in Michigan

This summer, construction crews in several parts of Michigan are busy building fiber-optic infrastructure for Merit Network's REACH-3MC project, which is being funded through federal stimulus grants and private investment. The Rural, Education, Anchor, Community and Health care – Michigan Middle Mile Collaborative (REACH-3MC) is a collaboration that will build much-needed infrastructure in many parts of the state.

In 2010, Merit Network, Inc. was awarded federal stimulus funding for two broadband projects in Michigan. In January 2010, Merit's REACH-3MC project was awarded a \$33.3 million federal grant from funds allocated through the American Recovery and Reinvestment Act (ARRA) of 2009 to create a 1,017-mile open-access network in Michigan's Lower Peninsula. Seven months later, Merit was awarded \$69.6 million in funding to build 1,270 miles of fiber-optic infrastructure in the Northern Lower and Upper Peninsulas of Michigan. Both stimulus grants were awarded through a program funded by the National Telecommunications and Information Administration (NTIA).

"Years ago Merit embarked on a strategy to own our backbone fiber-optic infrastructure. This was the best way to provide the performance and the price our Membership needs now and in the future," said Merit President and CEO, Don Welch. "We knew it would take a long time, but also knew we had to get infrastructure in these areas somehow. The stimulus funding accelerates that plan to the benefit of the entire State."



CONNECTING COMMUNITIES



STIMULATING THE ECONOMY



CREATING JOBS

### Key Points About the Broadband Project



Merit will create a statewide fiber-optic network for Community Anchor Institutions (education, libraries, health care, government, public safety).



Merit, a Michigan-based company, has contracted with Michigan companies to engineer and construct the network, creating jobs in Michigan!



REACH-3MC is a Public-Private Collaboration that will benefit Michigan communities. Merit will connect Community Anchor Institutions, such as libraries, education, government and healthcare. Commercial Sub-recipients will provide service to homes and businesses.



Through REACH-3MC, Merit facilitates resource-sharing over its network, enabling our public institutions to manage costs and provide more services to Michigan residents.



REACH-3MC will create economic development opportunities in Michigan by building 21st century infrastructure to better position our state in today's global economy.



REACH-3MC is an open-access network that will support not harm local Internet Service Providers (ISP). Any ISP will be granted access to the network at reasonable rates and terms.

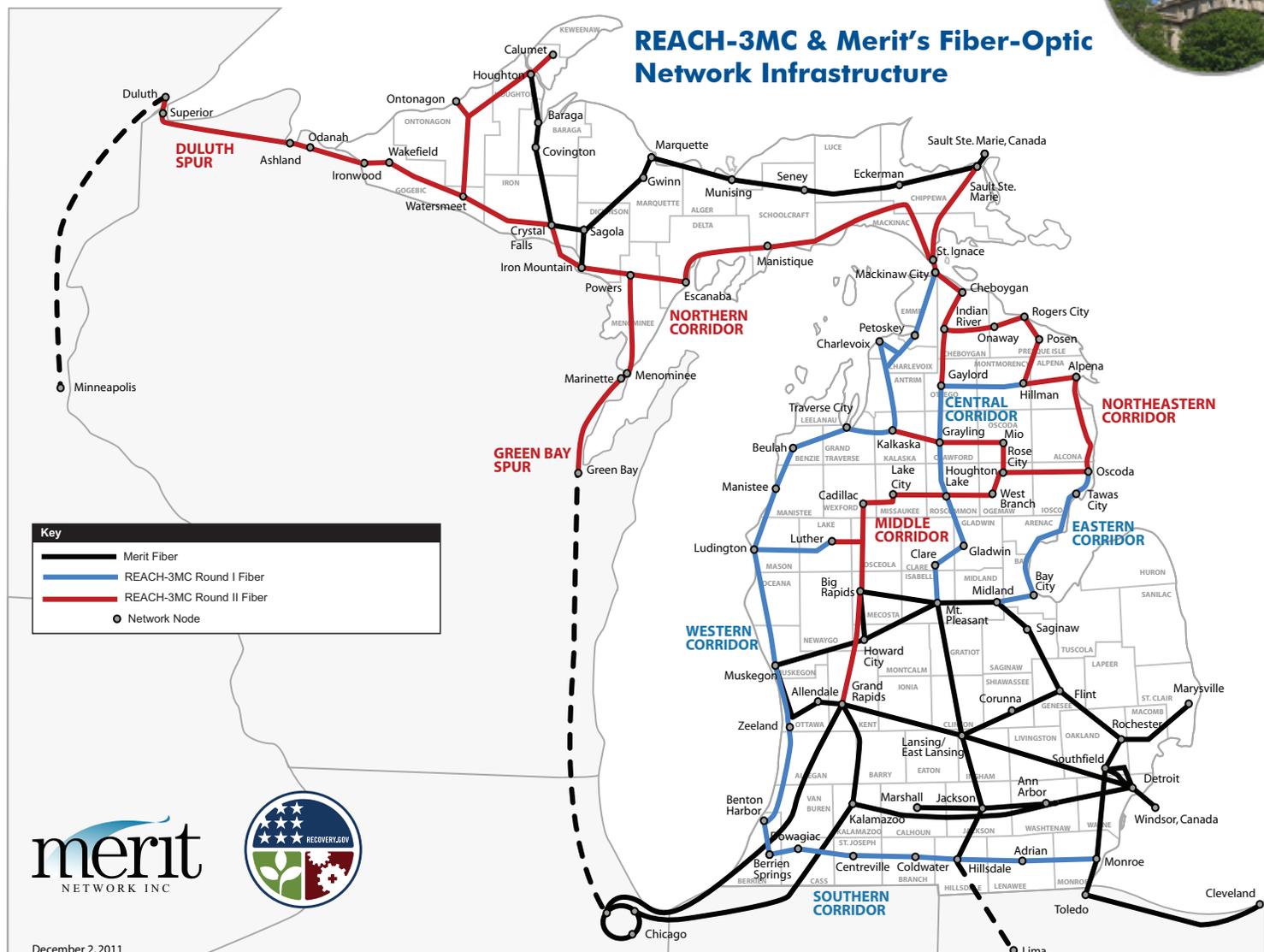
# "Michigan's Comprehensive Community Catalyst"

Merit's mission is centered in serving community anchor institutions. Merit provides high-performance networking solutions to Michigan's public universities, colleges, K-12 organizations, libraries, state government, healthcare, and other non-profit organizations. Merit, a Michigan-based company, is a member-focused provider and has been a trusted strategic partner to the education and non-profit community for over 40 years.

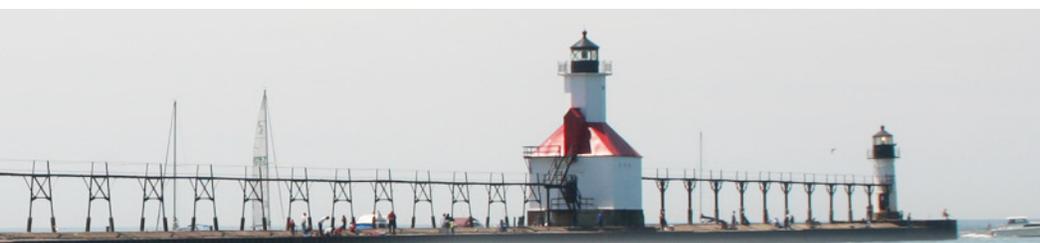
Today counting among our membership (Percentages in Michigan):

- 40% of Private Universities
- 59% of Community Colleges
- 58% of K-12 Intermediate School Districts
- 92% of Public Universities
- 45% of Library Cooperatives
- 26% of Public Libraries

Merit's existing fiber infrastructure combined with the new REACH-3MC network infrastructure creates a robust footprint in the state, providing Michigan with a strategic asset to leverage in the future. Only those organizations connected to Merit's network can take advantage of Merit's statewide fiber infrastructure.



December 2, 2011



## Experienced Provider for Michigan

For over 40 years Merit Network has remained Michigan's trusted source for leading-edge networking solutions. Since its inception in 1966, our organization has undergone significant changes to adapt to the unique needs of the growing Merit community. From our beginnings as a computer network for Michigan's leading public universities, to our leadership role in the National Science Foundation Network (NSFNET)—the pre-cursor to today's commercial Internet—Merit has always sought to leverage the accomplishments which precede us.

Merit has partnered with over 20 networks to provide peering relationships between Merit and their network—a direct path to and from their networks for exchanging data. Merit is Michigan's only connector to the Internet2 Network, the national high-performance network that connects research universities, K-12 organizations, healthcare organizations, government institutions, and others in the United States.

Merit developed and maintains a leading-edge, 24x7 support center that monitors the network and Merit services.

## Benefits of Fiber-Optic Connectivity

The data capacity of the fiber is limited only by the speed of light, which is to say that the capacity is (theoretically) unlimited. Today, the most cost-effective fiber-optic electronics provide for transmission rates of 1 gigabit-per-second (Gbps) with speeds up to 10 Gbps, but as more powerful electronics become available, the speed of a fiber-optic connection can be upgraded without replacing the fiber-optic cable.

"With this system in place, it will be possible to upgrade to 40 Gbps and 100 Gbps with no optical layer changes," according to Merit's Director of Network Engineering, Michael Milliken.

Fiber-optic connections enable organizations to use low-latency network applications, such as Voice over IP (VoIP), IPTV, and interactive videoconferencing.

Merit can provide fiber-optic connections to organizations that will be cost-effective and highly reliable. If your organization is interested in fiber-optic connectivity, please send an email to [info@merit.edu](mailto:info@merit.edu) for more information.



## Network Mileage

### REACH-3MC I



#### Eastern Corridor:

Oscoda to Bay City to Midland  
(104 fiber miles)

#### Central Corridor

Gaylord via Hillman to Mt. Pleasant  
(221 fiber miles)

#### Western Corridor:

Mackinaw City to Berrien Springs  
(356 fiber miles)

#### Southern Corridor:

Berrien Springs to Monroe via Hillsdale  
(175 fiber miles)

### REACH-3MC II



#### Middle Corridor:

Grand Rapids to Kalkaska and Oscoda  
(322 fiber miles)

#### Northeastern Corridor:

Oscoda to Mackinaw City via Alpena  
(220 fiber miles)

#### Northern Corridor:

St. Ignace to Ironwood & Houghton  
(425 fiber miles)

#### Duluth Spur:

Ironwood to Duluth  
(115 fiber miles)

#### Green Bay Spur:

Powers to Menominee & Green Bay  
(96 fiber miles)



## REACH-3MC Community Meetings

Since receiving the project award, Merit's management and staff have travelled to cities located near the proposed routes for the network and met with local government officials, organizations and individuals. These community meetings have helped to update and educate the community on the progress of network permitting, construction and related activities.

The network is being built in many areas of Michigan where broadband connectivity does not exist. The community meetings have helped provide attendees with information about the benefits and opportunities that can result from the new network infrastructure. Anchor institutions, organizations, and Internet service providers located near the new network routes have been invited to take advantage of the new infrastructure and connect to the network.

Merit's community-based approach to high-performance networking has helped several cities in Michigan, and the REACH-3MC project will provide even greater opportunities for community involvement in cities across Michigan. To view the dates and times of upcoming meetings and to register, please visit:

[www.merit.edu/meritformichigan/meetings/](http://www.merit.edu/meritformichigan/meetings/)



## How to Participate and Receive Updates

Merit is very interested in working with you and others to provide broadband access throughout Michigan. If your organization is interested in fiber-optic connectivity, visit the REACH-3MC web site and complete the Institution Interest Form. If you are a business or home user, please complete the Broadband Subscriber Interest Form.

### REACH-3MC Web Site

The REACH-3MC web site provides REACH-3MC project updates, community updates, project-related documents, and additional information. Please visit:

[www.merit.edu/meritformichigan/](http://www.merit.edu/meritformichigan/)

### E-Mail Mailing Lists

Merit has created email lists to keep communities up-to-date regarding progress on the REACH-3MC network projects and to provide details on upcoming community meetings. To sign up for a Community Update Email list, please visit:

[www.merit.edu/meritformichigan/email\\_list/](http://www.merit.edu/meritformichigan/email_list/)

### REACH-3MC RSS Feed

A dynamic RSS feed has been created to notify web site visitors when the REACH-3MC site has been updated. For the RSS Feed location, please see:

[www.merit.edu/news/rss/](http://www.merit.edu/news/rss/)



For more information, please email to [info@merit.edu](mailto:info@merit.edu)