



April 30, 2010

Ms. Katosha Nakai
Office of the Governor
State of Arizona
1700 W. Washington
9th Floor
Phoenix, AZ 85007

Dear Ms. Nakai:

I am writing to you today on behalf of the members of the Arizona New Mexico Cable Communications Association. As the Governor considers second round broadband stimulus grant and loan recommendations recently forwarded to her by the Arizona Broadband Advisory Committee ("ABAC"), Arizona's cable industry believes it important she also consider critical competitive information before forwarding certain applications to NTIA with a 'do fund' recommendation.

Unfortunately, three of the ABAC-recommended applications are very concerning because they will utilize federal monies to construct telecommunications networks to compete directly with our members and other private telecommunications providers in areas where high speed Internet service that meets federal broadband standards is already available. Further, these proposed projects may also make assumptions about current broadband providers ability and willingness to participate in last mile delivery that have not been discussed with existing providers in Arizona.

Upon reviewing ABAC's criteria for awarding grants, it appears that the recommended applications largely lacked consideration of federal criteria of "providing broadband access to consumers in unserved areas and improving broadband access in underserved areas." Instead, ABAC's criteria focused on the resubmission of first-round applications requesting the largest dollar amounts possible (as stated by GITA staff) to reflect primary goals of delivering competing middle and last mile services while ignoring publicly-funded competitive infringement of existing broadband providers. Nowhere in the federal criteria is this type of approach identified or encouraged. Indeed, it appears as if ABAC staff ignored federal criteria in selecting applications for gubernatorial recommendation. Specifically the goal of the federal program is to provide broadband access to consumers in unserved areas and improving broadband access in underserved areas. Clearly this is met to prevent the expenditure of federal monies to deploy high-speed data connectivity in areas already having access to high-speed connectivity provided by private companies.

As to the applications currently before the Governor, and upon which she must make recommendations by May 5, 2010, three inaccurately state or imply that the geographic areas they are proposing to serve are either unserved or underserved by broadband. This is not true. About three years ago the Arizona-New Mexico Cable Communications Association undertook a study to ascertain how many households in Arizona had access to broadband provided by cable operators. At that time, we determined, through legally required, auditable data provided on a monthly basis to municipalities, that cable operators can provide broadband service to more than 96% of all homes in Arizona. Further, the vast majority of these households have the choice of more than one broadband provider. I have attached a map that we jointly prepared in late 2006, showing, in blue, all communities/areas in Arizona that have cable broadband available to residential dwellings.

Our chief concern with the following applications is that they are all proposing to build broadband transport networks and/or provide broadband services to communities/areas, where Arizona's cable industry and others are already offering broadband services that meet the definition of broadband used in the Broadband USA application review process. *We strongly oppose the government subsidization of competitors in markets where we have invested our own private capital. We are even more concerned with proposals that additionally propose to offer customers reduced rates in these areas. Such discounts would not be sustainable in any business plan where private capital is invested to build and operate these networks for long-term profit.* Ongoing subsidization would be required. Ironically, the unsustainable nature of some of the proposals will degrade future broadband access and provider choice.

Arizona's cable broadband providers understand the need to fund projects to extend broadband service to unserved homes and businesses that cannot be served in a cost effective manner by current broadband providers in the market, but projects that propose to provide taxpayer subsidized competition in markets where one or more broadband providers are currently providing broadband services that meet the federal definition is completely inconsistent with the goals of the program and a waste of precious program dollars.

Specifically, the Arizona-New Mexico Cable Communications Association has strong concerns regarding the following projects due to the fact that they appear to propose to "overbuild" (either via fiber and/or wireless technology) and compete directly with our member providers and other broadband providers:

- 1. Project Title:** SACNet – Arizona Critical Middle Mile
Applicant: GovNET, LLC
Contact: Patrick Barringer
- 2. Project Title:** Southeast Arizona Broadband Infrastructure
Applicant: San Carlos Apache Telecommunications Utility, Inc.
Contact: Triplet Communications, Inc.

3. Project Title: Arizona Middle Mile Combo – Pactex Communications

Applicant: PACTEX, LLC

Contact: Michael White

The Arizona-New Mexico Cable Communications Association may also have concerns about other applications, subject to reviewing additional information provided by applicants, and we reserve the opportunity to comment further on current and future applications. Please contact me if you have any questions or would like any additional information.

Sincerely,



Susan Bitter-Smith

Arizona-New Mexico Cable Communications Association