

## We Need a Thoughtful National Broadband Plan

By Hunter Newby



Times have changed in the finance world. It is as if the seasons changed so quickly no one could dress properly. The traditional investment bankers stand outside with no coat in sub-zero temperatures and freeze while their private equity friends huddle around the small fires of what's left in their portfolios and funds. Some friends they are. What are worse are the banks that used to lend any and all forms of debt. They hide inside of their offices and burn the TARP money to stay warm, but won't, or can't share the heat with anyone else. We have never had a monetary seasonal shift quite like this before. While the rest of the once mighty huddle keep their funds close there is a new regime on the rise – the lawyers and lobbyists in Washington DC. For them it is the spring season. Jackets are off and sleeves are being rolled up.

The D.C. crowd has become the new investment bankers. This powerful position was not asked for; it was bestowed upon them. They represent the only source of funds that look available to anyone – the Stimulus Bill, also known as the American Recovery and Reinvestment Act. In desperate times, strange things happen. Out of the \$787+ billion, there is \$7+ billion for “broadband” development, most of which will be given away as grants by the NTIA and RUS. Unlike traditional investment bankers that largely work on success fees, the D.C. “Investment Granters” bill by the hour. It is an incredible dynamic.

An initial reaction of the D.C. insiders to the telecom industry was to be very visible at the most recent major conference –

CompTel. Many of the firms sponsored the conference itself and at the very least sent a larger than usual contingent. It's not that they haven't been present before. They have and for many years. It is just that their role has changed. They were seen and even saw themselves in a different light. The conversations were different. They were not about the FCC and rules about interconnection, they were all about the NTIA and RUS and funding telecom businesses. It is very interesting speaking with lawyers about \$7 billion of committed funds that have no rules. “Uncharted waters” is a phrase that comes to mind.

We are moving quickly through this phase and that's both good and bad. It is good because the funds need to get deployed soon since there are really no other traditional sources operating normally, but bad because the timeframe in which it needs to get done gives rise to potential mistakes. Such is the case with anything that gets rushed. The spectacle is the flavor of the mashup we are witnessing. On the one side is the D.C. lawyers with all of their precedence and decades of historical fact that gives them insight for guidance on regulatory matters. On the other side is the “Wild West” of \$787 Billion and a deadline.

The recent open mic meetings and request for formal comments on the stimulus has resulted in a deluge of proposals and perspectives that have the widest range imaginable – as if that couldn't have been predicted. A quote from Andy Lipman, Partner at Bingham McCutchen in Washington D.C., published in Communications Daily sums up the situation:

“The ultimate goal here and your ultimate thrust in the grant application is to show that this is going to create jobs, shovel-ready, immediate jobs,” said Lipman at a recent webinar sponsored by Bingham. Lipman added that the \$4.7

billion in grant money can go to “very broad” uses, including those beyond infrastructure, as long as they involve capital spending. “I expect to see a very wide variety of grantees,” Lipman said. “Virtually anyone can apply. A state can apply; a subdivision of a state; Indian tribes (which we expect to see quite a few either individually or jointly applying); nonprofit organizations; and any private entities.” Lipman anticipates that the grant process will move along quickly. “The RUS (Rural Utilities Service) is under a high-powered microscope and the Secretary of Agriculture needs to make a report every 90 days, starting yesterday,” he said.

Andy is spot on regarding each point, especially the main goal. The economy is in need of serious help and jobs. Apparently all sorts of jobs will qualify for being suitable to assist in the recovery, but the combination of “wide-variety” and “microscope” may lead to difficulties given that the process is mandated to move quickly.

Consider the pressure on those responsible for analyzing all of the applications and ultimately doling out the grants. How could they possibly be prepared for this? Who has spent any time in the past several months or years practicing how to give away billions of dollars in a fair and equitable manner within this timeframe? Who could possibly be prepared? This has never been attempted before simply because we have never been in this situation. The manner in which this is being administered has all of the excitement, drama and suspense of a Hail Mary Pass with no time left on the clock. It also has the same probability of success – slim.

What we really need is a well thought-out National Broadband Plan. It would relieve so much pressure and also set a tone through charting a proper networking

course that could be read, clearly understood and supported. If jobs are all we seek then we could just create more government jobs to employ people for the sake of employment. We do not need any real plan for that, so maybe that is where we end up. But if we want to create jobs that add real, meaningful, long term value for the country then we need to create a plan that

band – literally Layers 1 & 2 of the OSI Model. What we must keep in mind is that the shareholders of this new American Recovery and Reinvestment Act are the taxpaying citizens of the United States of America. It is their (our) best interests that must be put first or else there will not be anything left to leverage.

This National Broadband Plan would

success of our future as a Nation. It is the new shipping lanes, new railroads, new interstate highway system of our time.

With laser focus and determination this could all get sorted out properly and within the timeframes set forth. There really is not much choice in the matter as the alternative is not pleasant and certainly is not being discussed as publicly as the Re-

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takes into account all of the fundamental elements of successful networks, what they need, how they are built and the business environment that they thrive in.

The National Broadband Plan must have an open access philosophy imbedded in the overall architecture of every networking layer as well as the business model, not just a “requirement” to incorporate or adhere to open access in the future. Either you have a demonstrated ability to implement and sustain an open access network and business model, or you do not. Deviation from the course is critically detrimental and unacceptable.

The guise of open access terminology should not be allowed to confuse or obscure the reality of the financial implications and inherent conflicts associated with “shareholder value” related to providing an “open” network. It is in no incumbent’s or sole physical asset owner’s best interests to provide such a network as it undermines their shareholder value. Decades of this influence has brought about our current situation and the need for dramatic change.

What we are talking about is broad-

be the blueprint for how all of the network pieces at each layer, new and existing, would be created and assembled to produce the most effective outcome. This outcome is the benefit that the NTIA/RUS and federal government seek, but seemingly hoping that it somehow coagulates on its own. By merely receiving counsel, comments and applications from incumbents who clearly have vested interests in keeping the status quo, and/or minuscule rural networks that are powerless to create the Grand National Open Network that is so desperately needed, the greater good is not served. They are all but pieces of a much larger picture; one that needs to be painted and framed for a greater good of the many.

Without this open, fair and honest Plan we will all be lost and mired in fragmented, disparate slivers of the same issue. The larger problem will never be addressed and we will be out of grant money, out of chances and out of hope that this will ever be resolved. Unlocking broadband for the United States is the key to the long term

recovery Act itself. As the grants begin to be distributed, traditional capital sources of equity and debt should loosen up at more reasonable valuations and rates for those that receive the grants. This is a very good indirect benefit in general as the country and world will be able to get back to somewhat “normal” business. As the herd sees a movement it will all begin to move. And with a little luck everyone will have the same spark and spring in their step as the D.C. bankers do today.

“IF” that happens there is still no guarantee that the proper network and business model architecture for open access will be the basis of the grant decisions. As with all things, time will tell. We have a chance, but we can’t print time. We can only print money. We need to convert whatever is left of the value of our fiat currency into real asset value quickly, or the value of the currency will fall, trust will be broken, faith will be lost, credit will cease and we will not have another chance. **IP**

*Hunter Newby is a monthly contributor to IP Business. He can be reached at [HunterNewby@gmail.com](mailto:HunterNewby@gmail.com).*