

**Before the  
DEPARTMENT OF COMMERCE  
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION  
DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
Washington, DC**

In the Matter of	)	
	)	
American Recovery and Reinvestment Act	)	Docket No. 090309298-9299-01
Broadband Initiatives	)	

**COMMENTS OF WIREFREE PARTNERS III, LLC**

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**April 13, 2009**

## EXECUTIVE SUMMARY

Wirefree Partners III, LLC (“Wirefree”) is a licensed wireless carrier recognized as a small business by the Federal Communications Commission. Wirefree urges the Commerce Department’s National Telecommunications and Information Administration (“NTIA”) and the Department of Agriculture Rural Utilities Service (“RUS”) to act quickly in granting broadband funds under the American Recovery and Reinvestment Act of 2009 (“Recovery Act”). NTIA and RUS must implement the primary goal of the Recovery Act -- to stimulate economic growth and job creation through quick deployment of additional broadband services. NTIA and RUS should filter all program requirements through the standard of **“time is of the essence.”** NTIA and RUS also should insist on simplicity in the grant process and application review. The goal of expediency embodied in the Recovery Act requires that agencies avoid multiple levels of government approval or input.

Wirefree recommends the following key factors in establishing programs and eligibility for broadband Recovery Act funds:

- **Give priority in eligibility to private enterprises that have a proven track record of deploying communications networks** by adopting a presumption that distributing Recovery Act funds to existing wireless licensees that have met their build out requirements is in the public interest;
- **Seek to award funding to small businesses that can demonstrate they are “shovel ready” and experienced** in the field of communications as the most effective means to promote job growth. (According to the Small Business Administration, small businesses generated 60 to 80 percent of the new jobs in the U.S. annually during the last decade);
- **Allow grant funding to apply to the costs of building “middle-mile” projects** that will extend the reach of broadband services and reduce the backhaul costs that often are cost prohibitive to serving unserved and underserved areas;
- **Give credit to applicants for investment made from 2006 to 2009 in network facilities and resources** that can be leveraged to maximize the benefits of any broadband grant and speed deployment and service delivery; and
- **Recognize the benefits of wireless** services as the most cost effective technology for providing broadband coverage and to speed broadband service delivery.

**COMMENTS OF WIREFREE PARTNERS**  
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Wirefree Partners III, LLC (“Wirefree”) is a licensed wireless carrier recognized as a small business by the Federal Communications Commission. Run by an experienced management team of telecommunications entrepreneurs, Wirefree and its predecessors have successfully built and operated wireless networks for 20 years, creating new jobs and expanding wireless coverage. As an experienced carrier, Wirefree urges the Commerce Department’s National Telecommunications and Information Administration (“NTIA”) and the Department of Agriculture Rural Utilities Service (“RUS”) to act quickly and decisively in granting broadband funds under the American Recovery and Reinvestment Act of 2009 (“Recovery Act”).

NTIA’s and RUS’s administration of broadband funding under the Recovery Act must first and foremost implement the primary goal of the Recovery Act -- to stimulate economic growth and job creation through quick deployment of additional broadband services. NTIA and RUS should filter all suggestions for program requirements through the standard that **“time is of the essence.”** Time is of the essence to create new jobs in the broadband industry and to promote the economic development that flows from broadband communications availability. With this goal in mind, it is clear that NTIA and RUS should give priority to private entities that

are “shovel ready” and capable of quickly and effectively deploying new broadband facilities. Private entities are guided by the singular goal of deploying facilities to provide services that meet consumer demand and produce revenue.

NTIA and RUS should insist on simplicity in the grant process and application review. The goal of expediency embodied in the Recovery Act requires that NTIA and RUS avoid requiring multiple levels of government approval or input. In addition, NTIA and RUS should refrain from imposing excessive restrictions or obligations on grant recipients other than establishing a time frame for service delivery and accountability for use of the funds. During the recent public meetings, many parties suggested the imposition of conditions on grant recipients that, if adopted, would chill private investment and interest in applying for funding under the broadband programs. If conditions are imposed, such as price controls or caps, mandates for public-private partnerships and limits on the sale of a grant recipient, private, for-profit entities are likely to decline to participate in building the extension of broadband facilities to unserved and underserved areas. Furthermore, these conditions will slow the grant review process and delay the disbursement of funds. Wirefree specifically recommends that NTIA and RUS consider the following key factors in establishing the NTIA and RUS broadband programs and applicant eligibility for funds under the Recovery Act:

- Give **priority in eligibility to private enterprises that have a proven track record of deploying communications networks** by adopting a presumption that distributing Recovery Act funds to existing wireless licensees that have met their build out requirements is in the public interest;
- **Seek to award funding to small businesses that can demonstrate they are “shovel ready” and experienced** in the field of communications as the most effective means to promote job growth. (According to the Small Business Administration, small businesses generated 60 to 80 percent of the new jobs in the U.S. annually during the last decade);

- **Allow grant funding to apply to the costs of building “middle-mile” projects** that will extend the reach of broadband services and reduce the backhaul costs that often are cost prohibitive to serving unserved and underserved areas;
- **Give credit to applicants for investment made from 2006 to 2009 in network facilities and resources** that can be leveraged to maximize the benefits of any broadband grant and speed deployment and service delivery; and
- **Recognize the benefits of wireless services** as the most cost effective technology for providing broadband coverage and to speed broadband service delivery.

**I. Prioritize the Award of Funding to Private Enterprises with A Proven Track Record in Telecommunications**

**A. U.S. Private Enterprise Has Built the Current Communications Infrastructure Successfully**

As a means to assess an applicant’s qualifications, NTIA and RUS should create a presumption in the grant review process that it is in the public interest to award grant money to private, for-profit entities that hold FCC licenses and have met their build out requirements. Private enterprise is in the best position to expand broadband coverage quickly and to sustain the service to unserved and underserved areas.

The history and current vibrant state of the U.S. wireless industry is a testament to the success of private enterprise and competition. During the past 25 years as the government has made spectrum available, the wireless industry has been an engine for economic growth, service delivery and customer acceptance. In the past decade alone, the wireless industry has grown dramatically in its network coverage, service offerings and carrier competition. Competition among private carriers has produced innovative service plans, price competition, and a race to provide improved network coverage. Despite this success, wireless coverage and depth of service offerings has been uneven with more aggressive service delivery in urban and highly populated areas where the cost recovery potential is higher. As a result of the industry’s maturity, however,

wireless broadband services are now fully developed and can be deployed in unserved and underserved areas with federal government funding.

One reason for the lag in broadband wireless service in certain markets is that it is difficult to make the economic models work for private, for-profit enterprise in the unserved and underserved areas. The smaller potential customer base and the high cost of network infrastructure, coverage and service delivery have made investment in these areas challenging. With government funding, however, private carriers offer the most promise to bring broadband access to unserved and underserved areas quickly. The private enterprise model brings the singular focus on network deployment and service delivery. Unencumbered by the need to balance other interests, like municipal or state budgets or the multiple demands on broadband consumers like schools and libraries, private enterprise has the luxury of a single goal of broadband service delivery.

Attempts at government controlled public communications systems, such as municipal Wi-Fi projects and public-private partnerships that left the D block spectrum in the valuable 700 MHz auction unlicensed last year, have failed and cast a pall on the probability of success of a government controlled or highly conditioned broadband network system. During the past decade there have been multiple attempts to expand broadband reach through government contracted and controlled projects. Many municipal Wi-Fi projects promising free broadband access in public areas such as public spaces and parks held initial promise but have been shuttered. In the meantime, private wireless carriers in the same areas have continued to improve their broadband 3G coverage and are planning for the evolution to 4G.

In the FCC's auction of valuable 700 MHz spectrum in 2008, the spectrum in the D block conditioned on the establishment of a public-private partnership to provide both commercial service and serve the public safety community failed to reach the minimum bid for the spectrum. The remaining 700 MHz spectrum blocks sold, on average, for well in excess of

the minimum bids, thereby demonstrating that mandating a public-private partnership had a negative effect on interest in the spectrum and network deployment. In structuring the grant process under the Recovery Act, NTIA and RUS should incorporate the lessons from these experiences and select applicants who have demonstrated that they are most capable of delivering broadband service and sustaining its availability, namely, the private sector. Such focus will foster the statutory goals of increasing broadband affordability and providing broadband service to the greatest number of people.

**B. NTIA and RUS Should Review Private Enterprise Applicants For Experience and Ability**

NTIA and RUS should review private enterprise applicants critically to ensure that their business plans are sound and that they are worthy of the investment of taxpayer dollars. Not all private enterprises have the capability to deliver broadband services promptly or effectively. Wirefree recommends that NTIA and RUS apply significant weight to the top criteria commonly used by venture capitalists and other private investors in reviewing applicants: the management team and their track record. Venture capitalists routinely cite the depth and experience of the management team as the single most important factor in an investment. NTIA and RUS should place similar weight on this factor. A team with experience in deploying networks and providing service is essential to meeting or beating the timetable for completion of the project within two years. The Recovery Act funding should be invested with the applicants with the most probability of success in meeting the goals of prompt network construction and service delivery. Those who have done it before are the best investment.

**II. Small Businesses Granted Recovery Funds Will Stimulate Job Growth**

Small business grant recipients are most likely to foster job growth in the broadband industry. According to the Small Business Administration (“SBA”), small businesses generated 60 to 80 percent of the new jobs each year in the United States during the last decade. More

than 45 percent of the private payroll in the country is generated by small business employers. In addition, small businesses are leaders in innovation. SBA reports that small businesses receive 13 to 14 times more patents per employee than large patenting firms.<sup>1</sup> Women business owners are an important part of that small business growth. The last Census found that in 2002, women owned 6.5 million businesses in the United States and that these women-owned firms generated more than \$940 billion in revenues while employing 7.1 million workers.

Wirefree's own history proves that small businesses can be engines for economic growth in the wireless industry. For the past 20 years, the founders of Wirefree Partners have run numerous, successful small wireless companies. These small businesses generated more than 250 new jobs, extended the reach of wireless services to more than seven million people in underserved areas, and promoted competition. In the past two years Wirefree has invested private capital in excess of \$12 million (excluding spectrum costs) to build a competitive wireless network that has created new jobs, offered new services and is seeking to fill a market niche for customized wireless services.

Small businesses are, and continue to be, a vital and vibrant part of the wireless industry. A small business in the wireless industry is a multi-million dollar business by necessity. The wireless business is a capital-intensive business and requires companies to raise significant capital to acquire wireless spectrum, build their network and offer service. Wirefree has analyzed the economics of serving markets in rural areas and determined that it cannot be done by private investment alone. The costs of deployment and operations are too high and the realistic possibility for customer revenue too low. Accordingly, without government grant funding, these areas are likely to remain underserved or unserved. With government grant funding to supplement some private capital, however, smaller carriers can justify a certain level of private investment to provide localized broadband service and thereby stimulate job creation.

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<sup>1</sup> See Frequently Asked Questions, <http://www.sba.gov/advo/>.

### **III. Grant Money Should Include Recovery of Costs to Install Middle-Mile Facilities**

NTIA and RUS should allow the use of broadband funding under the Recovery Act to cover costs for installation of middle-mile facilities. One of the largest costs of providing broadband, and any communications services, to rural areas is the cost of carrying the traffic from the rural market back to a central switching office or existing high capacity facility. Wirefree has conducted extensive studies on the cost of providing service to rural markets and in each case the cost of carrying the traffic to the “high capacity pipes” described by Mark G. Siefert of NTIA, has been cost prohibitive and kept Wirefree out of those markets. Once the high capacity pipes are reached the costs of backhaul becomes manageable. Therefore, in order to facilitate a sustainable business model and ensure continued delivery of broadband services to rural or unserved markets, the middle-mile must be built with high capacity services. This can be done with microwave technologies or extension of fiber optic facilities, but it is a key component in bridging the digital divide. Accordingly, NTIA and RUS should permit the use of Recovery Act funds to cover costs for the construction of middle mile facilities.

### **IV. Applicants With Facilities and Resources in Place Will Speed Broadband Service Delivery**

The Recovery Act’s broadband funds will be most effective in accelerating the deployment of broadband services if priority is given to applicants who can demonstrate that they have facilities in place that can be leveraged to provide service quickly. NTIA and RUS should give credit for the investment in those facilities as part of the private funding matching. Wirefree has invested more than \$12 million in private capital in building a state-of-the-art fully IP-based switch in Seattle, Washington, and recruited a highly skilled operations team that can be used to deploy broadband services in any market within six months. Consequently, Wirefree would devote a significant portion of grant funds to expanding service to end users because it

has already invested significant private capital in its network. Such a policy would avoid waste of government funds on duplicative and unnecessary capital and operational costs.

Wirefree recommends that NTIA and RUS recognize the value of recent private investment by applicants as a direct contributor to the rollout of broadband services in underserved and unserved markets. Specifically, NTIA and RUS should give credit for investment made from 2006 to 2009 that an applicant can show will directly be used in deployment of services in areas for which grant money is awarded. The ability to contribute existing resources and investment towards the matching is especially important for small businesses that face incredibly difficult credit and equity markets.

#### **V. Wireless Technologies Provide An Advantage In Speed, Cost of Service Delivery**

NTIA and RUS should recognize the value of building a robust wireless infrastructure by giving priority in grant funding to applicants that will deploy wireless broadband facilities. American consumers increasingly rely on the benefit of wireless technologies to meet their communications and broadband needs. NTIA and RUS should bear this preference in mind in allocating funds to extend the broadband infrastructure into underserved and unserved areas. According to CTIA's most recent study, there are more than 229 million wireless subscribers in America, equating to 84 percent of the U.S. population. Significantly, CTIA also reports that 17.5 percent of U.S households are "wireless only" households, meaning they have elected not to purchase services from a landline company. In addition, the FCC has reported that 35 percent of the growth in all reported high-speed lines from June, 2005 to December, 2005 was attributable to mobile wireless.<sup>2</sup>

Wireless carriers increasingly offer broadband platforms to their customers through a variety of smartphones, wireless data cards that often are imbedded in laptop computers and

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<sup>2</sup> See [http://www.ctia.org/media/industry\\_info/index.cfm/AID/10323](http://www.ctia.org/media/industry_info/index.cfm/AID/10323).

fixed wireless solutions such as the services being launched by Clearwire. Wireless also offers the network efficiencies and cost saving of providing coverage from a cell site that can support a significant customer base from a single location. These network efficiencies are particularly true of fixed wireless solutions that avoid the significant cost and time delay required to install land-based fiber facilities to each customer location. NTIA and RUS should prioritize the allocation of grant money to wireless as the most expeditious, cost effective and long term solution for bringing quality broadband to underserved and unserved areas.

To ensure the quick deployment of broadband services, it will be important to use an appropriately flexible definition of broadband. Many rural and underserved communities lack high-speed Internet access. Instead, they rely on dial-up access or no access at all. Accordingly, NTIA and RUS should ensure that the definition of broadband captures the capabilities of wireless technologies to serve areas that are sparsely populated and present geographical challenges to other types of providers. NTIA and RUS should exercise caution in defining broadband to include specific speed thresholds that could indirectly skew funding in favor of specific broadband technologies or providers. In areas currently served by broadband providers, the private sector has met consumer demand for increased speeds of transmission by developing new technologies and upgrading existing facilities to improve download and upload times. This response to consumer demand has not been prompted by government mandates or definitions. Customer demand and preferences will dictate similar requirements for broadband speeds in unserved and underserved areas as networks are deployed.

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Wirefree is pleased to be a part of the U.S. wireless industry and stands ready to bring broadband access to the unserved and underserved areas of the U.S. As a small business with seasoned management and existing network facilities in place, Wirefree could quickly

deploy broadband facilities, create jobs and expand the service offerings to consumers seeking broadband access.

Respectfully Submitted,

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