

**From:** [Tyree, Sarah](#)  
**To:** [BOCrfc2015](#)  
**Subject:** Broadband Opportunity Council  
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**Attachments:** [Broadband Opportunity Council\\_CoBank Comments.pdf](#)

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Attached are the comments submitted by CoBank.

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June 10, 2015

Ms. Lisa Mensah  
Under Secretary for Rural Development  
United States Department of Agriculture  
Washington, D.C. 20250

Mr. Larry E. Strickling  
Assistant Secretary for Communication and Information  
United State Department of Commerce  
Washington, D.C. 20230

RE: Broadband Opportunity Council

Dear Ms. Mensah and Mr. Stickling:

CoBank, ACB ("CoBank") hereby submits these comments in response to the notice and request for comments to inform the deliberations of the Broadband Opportunity Council ("Council").<sup>1</sup> We applaud President Obama's creation of the Council to help more people, in more communities around the country, gain access to fast and affordable broadband. CoBank understands that ubiquitous affordable broadband is essential to strong communities.

CoBank's mission is to serve rural America.<sup>2</sup> CoBank's customers include local, regional and national agricultural cooperatives, rural communications, energy, water and waste disposal systems, Farm Credit associations and other businesses serving rural America. Our rural customers' ability to thrive and compete in a world market depend on reliable and affordable basic, essential services – water, electric, telephone and now broadband.

CoBank is an experienced and sophisticated banker to the communications sector. CoBank has more than \$4.0 billion in loan commitments to more than 150 rural communication companies nationwide. These commitments by sector are comprised of local exchange carriers (36%), cable (15%) wireless (26%), fiber transport (18%) and data centers (5%.) In addition, CoBank has syndicated \$2.7 billion in communication loans to the Farm Credit System and commercial banks. The Farm Credit System is a unique cooperative network of borrower-owned lending institutions that is exclusively dedicated to improving life in rural America.

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<sup>1</sup> Broadband Opportunity Council Notice and Request for Comment, Docket No. 1540414365-5365-01, April 29, 2015.

<sup>2</sup>CoBank is a \$106 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving farmers, ranchers and other rural borrowers in 23 states around the country. CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

CoBank provides a unique perspective of the challenges of deploying ubiquitous broadband in rural America. With nearly a century of experience serving rural markets, CoBank has deep experience financing critical broadband infrastructure in rural America.

We appreciate the opportunity to provide comments and recommended actions that the federal government can use to promote broadband deployment and adoption. As encouraged by the public notice, we structured our comments in response to the various questions posed.

## **Questions**

### ***A. Overarching Questions***

#### **1. How can the federal government promote best practices in broadband deployment and adoption? What resources are most useful to communities? What actions would be most helpful to communities seeking to improve broadband availability and use?**

The key challenge of deploying ubiquitous affordable broadband throughout the United States is the high cost of building and maintaining the necessary infrastructure in rural areas. The cost to provide broadband to rural America costs more than 10 times the amount necessary to provide local connections in urban areas and more than 20 times the amount necessary to provide transit and transport in urban areas.<sup>3</sup> The higher cost and lower long-term returns of delivering cutting-edge technologies to sparsely-populated areas has led many communications companies to focus on urban and suburban areas, where more people translates into more profits.

In addition to the high costs associated with constructing broadband infrastructure in rural areas, there are also high costs associated with maintaining and upgrading these networks sufficiently to accommodate growth of data traffic. The broadband network is a dynamic infrastructure; it is not static and subject to frequent technological advances that warrant upgrades and regular capital spending.

As a result of the economics of the platform, our rural citizens are missing out on the benefits of the technological revolution many of us take for granted. It is for this reason that there currently exists a “Digital Divide” in this country, where rural citizens are not afforded the same advanced telecommunications services as their urban counterparts.

Evidence of this “Digital Divide” has been provided by the Federal Communications Commission (“FCC”), which has documented that fifty-three percent of rural Americans do not have access to the FCC’s broadband benchmark of 25 Mbps/3 Mbps service, compared to only 9 percent of urban Americans.<sup>4</sup> Similarly, only 41 percent of rural elementary and secondary schools are linked to the Internet with broadband fiber whereas nearly 70 percent of urban schools enjoy modern, high-speed broadband access.<sup>5</sup>

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<sup>3</sup> September 29, 2009 FCC Open Commission Meeting, National Broadband Plan Update Slideshow, pg. 44

<sup>4</sup> FCC, “2015 Broadband Progress Report”, FCC 15-10 (February 4, 2015), Para 121.

<sup>5</sup> FCC, “2015 Broadband Progress Report”, FCC 15-10 (February 4, 2015), Para 127.

We firmly believe that a sustainable cost-recovery mechanism is imperative to support the financing of rural broadband. There is no silver bullet to avoid this reality. Without this type of ongoing financial support, no temporary financing method (e.g. loans, loan guarantees, or one-time grants) will be sufficient to deploy broadband across rural areas, and ubiquitous broadband throughout the entire country.

Finally, CoBank recognizes that the FCC is responsible for the Connect America Fund (“CAF”) and appreciates the efforts to direct CAF funding to support ubiquitous broadband. We suggest that the Council support the FCC’s efforts by acknowledging the need to provide a sustainable cost-recovery mechanism to deploy a rural broadband network.

**2. How can the federal government best promote the coordination and use of federally-funded broadband assets?**

The federal government should focus its support of broadband in areas where it is not economically feasible for broadband providers to build and maintain affordable broadband.

**3. What federal regulations and/or statutes could be modernized or adapted to promote broadband deployment and adoption?**

CoBank supports modifications of regulations that foster private-sector collaboration with federal loan programs. The rural consumer will be best served when the companies that provide them with broadband have access to public support and private-sector financing.

**4. As the federal government transitions to delivering more services online, what should government do to provide information and training to those who have not adopted broadband? What should the federal government do to make reasonable accommodations to those without access to broadband?**

CoBank supports the Distance Learning and Telemedicine program at USDA that helps rural communities use the unique capabilities of telecommunications to connect to the world, overcoming the effects of remoteness and low population density. CoBank also supports the Community Connect program at USDA that helps fund broadband deployment into rural communities where it is not yet economically viable for private sector providers to deliver service. The Community Connect program enables the cost of providing broadband service free of charge to critical community facilities for 2 years.

**5. How can the federal government best collaborate with stakeholders (state, local, and tribal governments, philanthropic entities, industry, trade associations, consumer organizations, etc.) to promote broadband adoption and deployment?**

The financial institutions that support the companies providing broadband services to rural America should be considered a key stakeholder in this process. CoBank’s mission is to serve rural America and it must be responsible in its

investments, as it is also committed to looking out for the interests of its borrower-owners. To the extent the government support programs to deploy broadband do not allow an opportunity for co-lending or are too restrictive on the service provider's financial future, participating may not be in our borrower's best interests.

CoBank has over 25 years of experience financing rural communication businesses and partnering in their growth. We welcome the opportunity to collaborate with the federal government in the design, socialization and implementation of new programs to deploy broadband to rural America. Further, we welcome the opportunity to do the same with existing public support mechanisms, helping to streamline and improve efficiency in deploying funds to those companies that can best construct broadband infrastructure.

### ***C. Promoting Public and Private Investment in Broadband***

#### **12. How can communities/regions incentivize service providers to offer broadband services, either wired or wireless, in rural and remote areas? What can the federal government do to help encourage providers to serve rural areas?**

The impediment to deploying broadband in rural and remote areas is a lack of economic incentive. For service providers to make the investment to deploy and maintain affordable broadband, it is reasonable for service providers to earn a rate of return on that investment. A stable cost recovery mechanism to provide ongoing support for sustainable, affordable broadband is necessary to attract private investment. While one-time grants from communities and regions could be helpful to incentivize broadband service providers, it is important to recognize that broadband systems need upgrades and long-term maintenance. It would be uneconomical to build out a rural system that doesn't generate enough revenue from its customer base to support the ongoing maintenance of the system.

As previously mentioned, the CAF is a viable program to spur rural broadband deployment and operations. CoBank supports the ongoing efforts of the FCC to update the CAF to support the deployment of ubiquitous broadband.

#### **13. What changes in Executive Branch agency regulations or program requirements could incentivize last mile investments in rural areas and sparsely populated, remote parts of the country?**

The primary barrier to serving these high-cost areas is a lack of economic incentive. No modifications to the Executive Branch agency regulations or requirements can adequately incentivize last mile investments in sparsely-populated portions of the country without a stable cost recovery mechanism for broadband service providers.

#### **14. What changes in Executive Branch agency regulations or program requirements would improve coordination of federal programs that help communities leverage the economic benefits offered by broadband?**

The Executive Branch should highlight the role of public-private partnerships and adopt regulations that facilitate co-lending with the private sector.

***G. Issues Specific to Rural Areas***

**24. What federal regulatory barriers can Executive Branch agencies alter to improve broadband access and adoption in rural areas?**

The primary barrier to serving these high-cost areas is a lack of economic incentive. No modifications to the Executive Branch agency regulations or requirements can adequately incentivize last mile investments in sparsely-populated portions of the country without a stable cost recovery mechanism for broadband service providers.

**25. Would spurring competition to offer broadband service in rural areas expand availability and, if so, what specific actions could Executive Branch agencies take in furtherance of this goal?**

CoBank has not observed any competition between companies to serve rural areas, given the lack of economic incentive to deploy broadband in these parts of the country. However, one of the lessons learned recently from the FCC's Rural Broadband Experiment Program is that broadband service providers are willing to compete for federal support to deploy broadband in a reverse auction.

**26. Because the predominant areas with limited or no broadband service tend to be rural, what specific provisions should Executive Branch agencies consider to facilitate broadband deployment and adoption in such rural areas?**

The primary barrier to serving these high-cost areas is a lack of economic incentive. No modifications to the Executive Branch agency regulations or requirements can adequately incentivize last mile investments in sparsely-populated portions of the country without a stable cost recovery mechanism for broadband service providers.

Thank you again for the opportunity to provide comments and recommended actions that the federal government can use to promote broadband deployment and adoption. CoBank looks forward to working collaboratively with the Council to support ubiquitous, affordable broadband.

Respectfully submitted,

COBANK, ACB

By: /s/ Robert F. West

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