

STEM ADVISORY COUNCIL BROADBAND COMMITTEE

October 22, 2013

My name is Dave Duncan, President of Iowa Telecommunications Association.

We represent 130 locally owned and operated broadband service providers in Iowa who utilize wireline and wireless networks.

As Chairman John Carver said at the beginning of his comments today, "Time is of the essence."

The Governor recognized the urgency of doing something to spur broadband growth when he formed this committee, and gave us very short timelines. We all understand that consumers cannot wait for multiple years for government agencies to write complicated rules, do environmental studies, etc before consumers can get access to affordable and robust broadband service.

The Governor is measuring our Committee's progress in Iowa using the TechNet 2012 State Broadband Index. It showed Iowa ranking 34th nationally and the lowest of all Midwestern states. This ranking was made up of 3 parts: (1) adoption, (2) network speed and (3) economic structure.

We need to address all of these if we are to achieve the Governor's goal of being the "most connected state in the Midwest."

To get us there, we considered input from dozens of broadband providers throughout the state. We use concepts identified in the Connected Nation "*Broadband Policy Possibilities*" document. We refer to information that was reported from the State Tactics Subcommittee, presentations that have been made to this committee, and blend in a few of our own observations of the telecom industry and economic development arena.

We took all this to create specific proposals that this group can use to leverage the resources of the State to work with industry to have a positive impact in Iowa. I have received authority from RIITA and from CenturyLink to say that they agree with these comments and proposals.

I'll start by reviewing the ***five biggest challenges identified by Iowa's broadband providers***

1. **Buildout Cost.** We need to understand the high cost of building networks to serve sparsely populated areas. If it was feasible or economical, buildout across the state would have already occurred. But it hasn't.
2. **Operations Cost.** When it comes to broadband deployment it is not "you build it and you are done." The costs of maintaining, operating, and upgrading networks, especially in less densely populated areas is oftentimes overlooked.

3. **Backbone access.** It is costly to secure access to the “backbone” to deliver ever-increasing data traffic to the rest of the world. The simple fact is that it costs more to get more bandwidth. In fact, costs may rise exponentially rather than geometrically as bandwidth needs increase.
4. **Inadequate User Demand and Knowledge.** Too many consumers are unwilling or unable to purchase basic broadband service and the necessary devices to connect to the internet. Too many consumers fail to find relevance or importance in higher speed internet connectivity. Some who are interested in upgrading to higher speed service are unwilling to pay higher charges for it. Consumers may not be aware of what is available to satisfy their needs, or they may mis-perceive what they want or need or have available. Our research shows that some customers purchase services that are far below network capacities, thereby lowering our “network speed score.”
5. **Competition from Government-owned networks.** Initiatives that allow selected users to access government-subsidized networks siphon away large customers from private providers and decrease the ability of private entities to invest in expansion and upgrades. Private networks are fully capable of providing the security and dedicated service that many high-demand users seek.

How to overcome these obstacles

Our three-pronged approach touches each one of the TechNet index drivers:

- creates and extends financial incentives for private providers to expand deployment and increase network speeds
- leverages public sector initiatives to stimulate demand and digital literacy (adoption)
- encourages a more favorable business and regulatory environment and economic structure to expand broadband growth and the high-tech industry in Iowa.

1. Financial Incentives

To improve upon the “network speed” category of the TechNet Broadband Index, the State should consider a platform-neutral and technology-neutral capital buildout incentive plan that offers loans/grants/combination or forgivable loans or other incentives to encourage the deployment of more fiber optics and increased network speeds. Each specific community or area differs in its needs; based on these local characteristics either wireline or wireless solutions may be best. Incentives can follow the type of guidelines utilized by the High Quality Jobs program with respect to commitments, replacing the number of jobs or wage target measuring sticks with connection speeds and availability. Another option includes the proposal discussed last year by Senator Sodders to leverage resources from the Iowa Finance Authority; another option may include a program that allows other governmental entities to bond or loan funds. Other ideas may include leveraging federal Connect America Fund moneys with state-appropriated matches or loans. To avoid duplication of networks, the program should give

preference to the provider that has a fiber network closest to the targeted unserved or underserved area.

- a. We suggest this group examine other states' broadband deployment programs that target assistance to unserved and underserved areas. (i.e., Nebraska, California).
- b. We suggest the legislature consider appropriate tax incentives or credits. A significant incentive would be achieved with the elimination of property tax on broadband infrastructure or outside plant, or the elimination of sales and use tax on broadband equipment.

2. **Demand/Digital Literacy.** To improve our "adoption" score on the TechNet Broadband Index, we should leverage state resources to incent consumer demand and improve digital literacy.

While too many Iowans have no access to broadband, or believe themselves to have inadequate access to broadband, studies have shown that the largest reason that customers do not subscribe to broadband is not "lack of access" but lack of interest or affordability.

- **Broadband Clearinghouse.** To facilitate communication between end users and providers, the State can promote, and Connect Iowa can facilitate, a customer-led mechanism to identify unserved and underserved areas. Consumers are encouraged to contact the "clearinghouse" for information on providers, prices and availability. Participation is voluntary by consumers and providers alike. It would include continuing efforts to improve the accuracy and usability of broadband availability maps, including exchange boundary overlays and other useful information. The clearinghouse would provide tools and resources to the consumer, and notify providers of a request for service, should the providers elect to participate. This clearinghouse may also be able to offer tools or financial incentives to providers to help overcome the obstacles to installation and ongoing service.
- **State-Led Publicity/Consumer Education.** The Governor and his executive agencies (Departments of Education, Public Health, and Workforce Development, and the Iowa Economic Development Authority) should embark on a coordinated effort that includes public relations, digital literacy training, and outreach to seniors, low income rural residents, and other "broadband challenged" demographics. The state could provide assistance, templates and training to consumers and small businesses seeking to have a web presence. It could encourage and facilitate consumer access to the broadband clearinghouse.
 - Examine and promote some of the many digital literacy programs that currently exist, such as www.digitalliteracy.gov, www.connect2Compete.org, www.goodpc.com/connect2compete/ and ZeroDivide's Generation ZD Literacy (GenZD) Program
- **Consumer Equipment/Service Program.** The state could consider implementing or assisting in the expansion of existing assistance programs

for low income or elderly populations to purchase internet-capable devices, discounts for broadband subscription services, free training, etc. It could also provide tax credits for corporations donating refurbished computers to be given to low income individuals through private charities.

3. **Create a Friendly Business and Regulatory Climate.** To improve Iowa's score on the third segment in the TechNet Broadband Index (economic structure/environment/encourage growth in the number of high-tech companies and jobs in Iowa) we propose the state should do the following:
 - a. Resist efforts to spend additional scarce public resources on new network backbones and connections that overbuild existing ones
 - b. Active engagement and support by the Governor and top Iowa regulators to advocate for modification and improvement of federal broadband policies including the Connect America Fund and universal service programs
 - c. Modernize telecom rules to encourage broadband growth and adopt a pro-investment regulatory posture.
 - d. Stress the importance of ensuring that legislative actions (i.e., property tax reductions) are implemented as intended.
 - e. Promote Iowa's high quality of life and provide appropriate incentives to help existing companies grow and to lure new ones to Iowa.

In conclusion, we believe that a holistic approach is necessary. One that combines mechanisms that target the root causes and concerns identified by broadband providers: cost to deploy and maintain service; lack of digital literacy and demand; and a need for a friendly regulatory environment. If you look back at the TechNet Broadband Index "case study" on California (which is listed as an overachiever), you will find a similarly broad scope of recommendations to enhance broadband buildout, so let us learn from other states who have been identified as having some success on this front.