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STEM Advisory Council Broadband Committee
c/o Ms. Amy Kuhlers, Program Manager
Connect Iowa
200 East Grand Avenue
Des Moines, IA 50309

by email and Federal Express

Re: STEM Advisory Council Broadband Committee Inquiry

Dear Ms. Kuhlers:

Windstream¹ appreciates the opportunity to respond to the STEM Advisory Council Broadband Committee (“Committee”) inquiry regarding the unique broadband challenges facing Iowa. Below, Windstream discusses those challenges and suggests several possible solutions for the Committee’s consideration. We look forward to continued participation in the Committee’s important work and are committed to assisting the Committee as best we can as this project proceeds.

I. What barriers or other issues can you identify that may impede the increase of broadband access, adoption and use across the state?

Windstream recommends that the Committee focus on addressing barriers that private sector broadband providers clearly cannot resolve on their own. Accordingly, Windstream urges the Committee to focus on: (1) high-cost areas where it is economically unfeasible for a broadband provider to offer robust services at reasonable rates; (2) instances when end users do not purchase available broadband service due to affordability concerns; and (3) rights-of-way fees and restrictions that unduly inhibit broadband deployment. Addressing these three issue areas would efficiently build upon private sector entities’ efforts to increase broadband access, adoption, and use across the state.

¹ Windstream includes the following entities operating in Iowa: Iowa Communications, Inc.; Windstream Iowa-Comm, Inc.; Windstream IT-Comm, Inc.; Windstream KDL, Inc.; Windstream Montezuma, Inc.; Windstream Nebraska, Inc.; Windstream Norlight, Inc.; Windstream NTI, Inc.; Windstream of the Midwest, Inc.; and McLeod US Telecommunications Services, LLC d/b/a PAETEC Business Services.

II. If you had to choose one primary barrier, what would that be?

Windstream recommends that the Committee focus primarily on key barriers to enabling and enhancing robust connectivity for anchor institutions and other entities critical for Iowa economic development: schools, libraries, hospitals, and small and medium businesses. While anchor institutions currently can receive some level of broadband services through the Iowa Communications Network, the challenges presented by the Governor's initiative require a holistic approach to identifying the needs of these and other entities key to regional economic development. Before identifying a single barrier and trying to suggest solutions, it is important that stakeholders ascertain why these entities are not using more robust services – in particular, is it lack of availability or lack of affordability? And if lack of availability is the core impediment, is this deployment gap due to a provider's lack of technical capability or are high-cost conditions preventing development of a feasible economic case?

For Windstream, any lack of broadband availability primarily is a function of high costs. Windstream, for example, is capable of deploying networks supporting 100 Kbps per student, i.e., school speeds that are recommended by the State Educational Technology Directors Association.² As a company competing with others for private sector investment, Windstream is willing to deploy and support these robust networks so long as it attains the revenues required to make a sufficient return on this substantial investment. Government funds can fundamentally alter economics by offsetting up-front costs and making it possible for a broadband provider to deploy and earn sufficient returns at reasonable rates.

III. What recommendations do you have to overcome these barriers?

Windstream recommends that the Committee consider several broadband initiatives that would supplement and enable more private investment in broadband facilities. Private investment is and will remain the most important funding source for broadband networks. It is unrealistic to think that policymakers will be able to commit taxpayer dollars at an ongoing level sufficient to substitute for tens of billions of private investment dollars spent annually on broadband deployment. Moreover, the private sector is more capable of identifying and responding quickly to technological advancements and changes in end user behavior. Partnering with private sector entities will help ensure funds spent on broadband are dedicated to the facilities that deliver the greatest end user benefits.

First, Windstream encourages the Committee to look into development of programs that would jointly leverage public and private resources to enable new/further expansion of broadband networks in high-cost areas. Providers may not be able to earn enough revenue to generate a sufficient return on their investment when deploying and operating broadband networks in high-cost areas. Costs for network deployment and operations in rural areas are significantly influenced by multiple factors – low population density, geography/topography, and

² http://www.setda.org/c/document_library/get_file?folderId=353&name=DLFE-1515.pdf

the current network infrastructure available (including gear, access to public rights-of-way and poles, etc.).

The need for broadband services in rural areas nevertheless is great, both by the anchor institutions in rural communities (schools, libraries, hospitals) and by the catalysts for most economic activity in those communities, i.e., small and medium sized businesses. As recognized by the FCC's National Broadband Plan, schools and libraries, for instance, need these services to expand educational and customized learning opportunities beyond the physical classroom, promote digital literacy, and improve the flow of information among teachers, parents, and organizations.³ Hospitals and health care establishments need these services to improve the collection, presentation, and exchange of health care information (e.g., for diagnostics and analytics) and health records and providing remote health care/monitoring.⁴

Small and medium sized businesses need broadband services as they drive modern economic activity. Small and medium businesses account for more than 60 percent of the net new jobs created in the U.S. every year and more than 67 percent from mid-2009 to 2011.⁵ New jobs increasingly require Internet skills.⁶ E-commerce has become the most efficient and preferred way of conducting business, and the Internet has become a necessary business tool for all, including rural farmers. Iowa State University reported in 2012 that 60 percent of Iowa farmers use high-speed Internet services, with 70 percent reporting having some form of Internet access.⁷ While Iowa farmers already report using the Internet regularly to get information on weather, markets, production, general agricultural news,⁸ in an increasingly global market for farm products, high-tech tools that rely on the Internet may increasingly become a greater part of farm operations, including GPS guidance systems, online pricing and auctions, and other educational and productivity enhancers.

With respect to broadband access for residential consumers, policymakers should focus on public programs that would enable expansion of broadband to areas that lack networks capable of providing individual households access to robust broadband service. Specifically Iowa may want to consider one-time-only grants to deploy broadband to locations lacking access to networks capable of supporting robust speeds. A subset of consumers has been unable to benefit sufficiently from the substantial private investment in broadband, because there is no

³ National Broadband Plan at pp.226 - 227.

⁴ National Broadband Plan at pp. 199 – 202.

⁵ September 2012, FAQ Report, Office of Advocacy, Small Business Administration, http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf.

⁶ National Broadband Plan, at p. 3.

⁷ <http://www.extension.iastate.edu/article/farmers-internet-use-2011-iowa-farm-rural-life-poll>

⁸ *Id.*

rational economic case for deploying high-speed networks to consumers in very high-cost, low-density areas absent a subsidy. Enabling robust broadband service capability would make it possible for these consumers to begin benefitting from connectivity to core broadband applications, such as remote conferencing, online banking, and distance education.

Second, Windstream recommends that the Committee consider ways in which public funding may be able to make existing private sector broadband services more affordable for end users subject to significant financial pressures. Where providers can make robust services available, end users nevertheless may not subscribe to these services due to inability to afford them. To boost adoption and usage rates in areas where broadband already is available, the Committee should explore public funding opportunities that would offer discounts for robust private sector service.

Finally, to encourage further private investment, the Committee should investigate measures that will give broadband providers ready and affordable access to public rights of way and to municipal and cooperative providers' poles, which are exempt from federal requirements on the rates, terms, and conditions for access. As the National Broadband Plan recognized, the cost of deploying broadband networks depends significantly on the cost to access conduits, ducts, poles, and rights-of-way, and the impact of rates for access to such facilities can be particularly acute in rural areas where there are often more poles per mile than households per mile.⁹ To encourage further broadband deployment, Windstream, therefore, suggests that the Committee explore state mandates that would, for instance, (1) subject local governments to a thirty-day "shot clock" for right-of-way permit issuance after an application is filed and (2) require municipal and co-operative providers (like all other utility pole owners) to offer rates and charges that are cost-based and non-discriminatory.¹⁰

IV. What are your expectations for future access needs?

Windstream's expectation is that future access needs will only grow with time. For this reason, Windstream encourages the STEM Advisory Council Broadband Committee to focus on enabling broadband deployments that are both durable and scalable. Specifically Windstream, consistent with its recommendations above, suggests the Committee seek to enable augmentation of existing networks with fiber facilities. Fiber has reach significantly better than that of copper and provides bandwidth capabilities that are several orders of magnitude better than copper, and, as customer bandwidth consumption continues to rise, fiber will enable continued advancements in broadband services offered by both wireline and wireless service providers. Moreover, fiber augmentation projects, when implemented by experienced broadband providers, often can readily leverage existing network deployments (by using existing network facilities, rights-of-way, and easements), which permits cost savings not available for altogether new builds.

⁹ National Broadband Plan, at pp. 109 – 110.

¹⁰ Municipal and co-operative providers are exempt from federal laws regarding pole attachment rates, terms, and conditions. The State of Iowa, however, may exercise authority over the pole attachments of municipal providers, as subdivisions of the state, and over cooperatives, through the state's police power.

V. *Other comments?*

Windstream has no further comments at this time, but may provide supplemental or additional recommendations during the course of the STEM Advisory Council Broadband Committee's work.

Sincerely,

/s/ Bill Garcia

Bill Garcia
Vice-President, State Government Affairs
Windstream