

Telecommunications Issues

Testimony to the House Committee on Commerce and Economic Development
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Irv Thomae
Norwich, Vermont
Chair, ECFiber

Background: ECFiber is a consortium of 24 municipalities in East Central Vermont, formed in 2008 to build a fiber-optic network to deliver broadband services to every home, business, or civic institution in our member towns. Because state law allows towns to own and operate telecomm facilities for public use but not to finance them with local tax money, we are of necessity a privately financed public entity. Overall policy is set by a Governing Board in which each member town or city has one vote. An Executive Committee of seven volunteers manages fund-raising and oversees the work of our Design/Build/ Operate contractor, ValleyNet.

We started funding incremental construction in 2011 by borrowing from mostly local people, mostly in small multiples of \$2500. As of today we have raised about \$5 million, more than 95% of it from a total of 350 distinct investors and founders, and we are serving approximately 575 customers on about 200 miles of fiber-optic cable in ten of our towns. Our most rural residents are well aware that full-speed Internet service has become essential to their economic survival and to their children's education. As a result, we presently have more than 200 subscribers waiting to be connected on routes already either built or announced, and another list of residents hoping we can reach them soon.

Comments:

I. Section 248a Sunset

Although Section 248a has very little impact on our work, we do not believe it should be allowed to sunset in June of 2014 as originally provided.

II. Pole Attachment Costs

The annual per-pole fees as set forth by the PSB do not represent an unreasonable burden on our cost of operations. They are stable, predictable, and therefore can be budgeted.

In contrast, the pole attachment process is neither stable nor predictable. Under PSB rules, a pole owner should respond within sixty days to a bona fide applicant with a make-ready quote. Make-ready work must then be completed, and an attachment license issued, within 120 days after receiving payment. In fact, however, only the honor system and the good offices of the DPS seem to stand behind those timelines. We have occasionally received pole licenses in less than a month after paying for make-ready, but we also have one large application still pending for 153 poles whose 120-day deadline was last July 27th. In other cases, we have sometimes received licenses for poles only to find that the make-ready that we paid for has not in fact been completed.

The unpredictability of pole-preparation times makes capital budgeting and rational planning for construction extremely difficult. Capricious pre-construction delays after makeready payment prevent us from delivering service to waiting customers and begin receiving the revenue that will repay the local people who have lent us their money. Ultimately, of course, nonperformance after make-ready can be taken up with the Public Service Board, but that mechanism involves several more months of delay. If an incumbent perceives a vested interest in delaying the applicant, the present "system" does little if anything to encourage prompt action. We strongly urge the Committee to consider adopting mechanisms to ensure prompt completion, whether by the pole owners or by some third party at the expense of the tardy entity.

III. The Vermont USF

There can be no question that the cost of delivering new telecommunications services to sparsely populated areas is significantly higher. The capital cost of poles, cables, and other infrastructure is about the same (or slightly less) per mile, but until it has been fully amortized, the cost per actual customer will be significantly higher. In our experience, maintenance is the only operating-cost component which is markedly increased by sparser density, but that can be a significant factor on account of longer mileage and travel time to and from the repair site, difficulty of access, etc.

Broadband telecomm services are essential to participation in the modern economy. If Vermont itself is to be sustainable, those services must be as available to rural residents as they are in our population centers. Routine payments that subsidize fully amortized infrastructure make little or no economic sense. Instead, we believe that USF funding should be used primarily to assist and encourage deployment of broadband service where the capital cost per customer is otherwise prohibitive. A small component to help providers cover demonstrably higher operating costs, e.g. maintenance, remains appropriate.