

**Vermont House of Representatives
House Committee on Ways and Means
Written Comments of Comcast on H 870**

Members of the House Committee on Ways and Means:

Thank you for the opportunity to provide comments and feedback on H870.

Comcast came to Vermont in 2006 and now offers high speed Internet services in 197 towns and cities in Vermont. Comcast already provides the type of broadband service this bill purports to seek from other providers and inclusive of employee pay and training, taxes, network expansion and maintenance and community investment, Comcast invests about \$50 million into Vermont's economy every year.. Additionally, we are a high quality employer of choice for nearly 300 Vermonters and earlier this year, we announced that we are hiring for 50 new positions. Comcast understands the importance of broadband to Vermont, and is well situated to continue our investment and partnership with Vermont.

Relative to H870: the Vermont Universal Service Fund (VUSF) tax on consumers should not be increased and we implore the state to address the increasing diffusion and lack of clear focus of the VUSF.

- The main focus of the VUSF should remain on its historic mission of funding relay and lifeline, and E-911 and one newest mission, the Connectivity Initiative.
- The High Cost Fund portion of the USF should be eliminated. The goal of supporting broadband availability in unserved and underserved areas will be fostered by eliminating the High-Cost Fund portion of the Connectivity Fund and directing those funds to the Connectivity Initiative.
- The Connectivity Initiative should not be made more complicated by including cell phone coverage projects and requiring that funded projects include mobile telecommunications nor should it be diluted by adding new uses for the fund.

We ask the committee to seriously examine what the goals of the Vermont Universal Service Fund (VUSF) should be given the facts that: (1) the VUSF is a consumer tax only on customers of communications services yet ostensibly for goals that benefit all Vermonters, (2) this bill contains a \$1.6 million tax increase for those consumers without improving the transparency and focus of the VUSF itself, and (3) the bill would continue to expand the VUSF beyond the long standing public policy goals of supporting relay and lifeline services and 911 service, and more recently supporting broadband connectivity. VUSF cannot keep diffusing its mission and expanding to cover more goals only to result in more taxation of telecommunications customers.

Sections 3, 5, 6 Relating to Further Taxing Vermont Telecom Consumers through the Vermont Universal Service Charge and the Connectivity Initiative

At its base, the Vermont Universal Service Fund is a consumer tax limited to the customers of communications service providers. The bill as passed by the House Commerce Committee contains a major tax increase for consumers while losing focus of the goals of the VUSF itself, and failing to improve the transparency. Indeed, two proposals would expand the VUSF to achieve additional goals beyond the historic goals mentioned above, including E-911, and more recently promoting broadband availability in

unserved and underserved areas. Comcast believes that, long before considering dramatically increasing VUSF taxes on consumers by \$1.6 million, the committee should work on focusing the VUSF on the deployment of broadband networks, stopping the expansion of the spending goals of the VUSF and ending the subsidy of outdated legacy voice networks (the High Cost Fund portion of the Connectivity Fund), where there is little transparency over the use of VUSF funds.

Comcast opposes increase in the VUSF Consumer Tax to 2.5%; Focus should be on broadband and not outdated voice networks.

- Vermont should not keep increasing the VUSF consumer tax, and there should be no consideration of an increase until there is complete transparency and clarity around VUSF goals. Historically, there was a 2% cap on the VUSF tax, but the factor was consistently lower. Then, the legislature increased the VUSF tax to 2% in the last legislative session under the stated goal of expanding broadband coverage but the fund is watered down by the split between the Connectivity Fund and the High Cost Fund. Now, there is this proposal to increase VUSF tax to 2.5% at a cost of \$1.6 million to Vermont telecommunications consumers, but still no consistent focus on broadband availability.
- The Federal Communications Commission has addressed the problem of an ever increasing federal USF by capping funding, and by directing funding to broadband instead of maintaining legacy telephone networks (“High Cost Fund”). The current Federal Universal Connectivity Factor is 18.2%; the VUSF is “in addition”. We urge the committee to direct all VUSF tax funds to the Connectivity Initiative, where there is far more transparency and consistency with Vermont’s stated broadband goals.
- There is not a compelling financial case for increasing the VUSF tax on Vermont consumers. The amount generated by the current VUSF Consumer Tax is not decreasing. Operating revenues of the VUSF have been stable the last few years.
 - FY 2013 \$6,619,045
 - FY 2014 \$6,325,380
 - FY 2015 \$6,778,883
- The impact of the proposed \$1.6 million VUSF tax increase for customers is substantial and would be the second increase in the last few years. Remember, most Vermonters have cell phones and many still have landlines. The VUSF increase will hit an average Vermont household several times – once for each telephone number.
- The VUSF should not be increased to 2.5%. Rather, eliminating the High-Cost Fund portion of the Connectivity Fund and directing all funds to the Connectivity Initiative would allow more funding to be devoted to broadband availability.

Additional Goals should not be added to the VUSF

- Vermont should not expand the VUSF Tax to cover additional goals and fund them on the backs of a specific set of consumers. H870 proposes to direct the 0.5% increase in the VUSF to the Connectivity Initiative, but would expand it by including mobile telecommunications projects. In the Public Service Board workshop on the High-Cost Fund portion of the Connectivity Fund, it remains unclear whether mobile broadband will be considered an effective competitor in determining whether a VETC faces competition. If mobile broadband is not a competitor in determining whether High-Cost funding is available, then it should not be promoted via the Connectivity Initiative. Additionally,

- Language in 7515b proposal seems to require that the Department Public Service select projects that deploy broadband **AND** mobile telecommunications. Projects that do not deploy mobile telecommunications should not be excluded. This section should say “and/or”.
- H870 also would cover projects for schools that do not have broadband under the Connectivity Initiative. Again, Vermont should not keep expanding the VUSF tax to cover additional goals.

Sections 7 and 8 Further Diffuse the Vermont Universal Service Fund

Comcast recognizes that support for individuals who are blind or visually impaired is an important and necessary role for state government. We also see this issue from this perspective: Comcast has made a major commitment to making its services accessible by the blind and visually impaired and the deaf and hearing impaired. In November 2015, Comcast launched a new “Talking Guide” for Access to Television. Comcast’s X1 cable box, available to all customers, responds to voice commands to select programming and also provides descriptions of the on screen action. Comcast’s X1 Box also provides closed captioning, in large scale if desired, for the deaf and hearing impaired. <http://www.xfinity.com/accessibility>.

Certainly, a telecommunications news service is an important and critical service that should be supported by all Vermonters. Comcast supports a TNS, but feels it should be funded from the general fund, not permanently by the VUSF.

In conclusion, we ask the committee to seriously examine what the focus and scope of the VUSF should be to find broadband resources, rather than endorse a \$1.6 million tax increase.

Summary of Comcast in Vermont

Vermont has made tremendous strides in meeting established goals related to the deployment and adoption of advanced communications networks. While much of the credit is owed to the work and investment of private industry, the cooperation between industry players and results-oriented state government policy is also notable. Through our proven, consistent and sizeable *private* investments in network deployment, human capital, and broadband adoption in public/private partnerships with Vermont government, Comcast is proud to be a major contributor to meeting the state’s overall broadband goals and our network continues to expand to connect more homes and businesses every year.. Inclusive of employee pay and training, taxes, network expansion and maintenance and community investment, Comcast invests about \$50 million into Vermont’s economy every year.

Comcast’s Network Expansion and Enhancement: The proof of Comcast’s investment lies in our continual expansion and enhancement our network both in terms of reach and capability. We continually look for opportunities to expand our footprint in Vermont. Moreover, Comcast has increased the broadband speeds we offer our customers 16 times in the last 14 years. We offer several levels of service to residential and commercial customers including a 2 GBPS residential product called Gigabit Pro. Further, Comcast Network Engineering is currently readying facilities for DOCSIS 3.1 for full deployment over our existing network, so once our rollout is complete in a market, customers with gigabit-capable devices will be able to get the service by signing up for a new plan and plugging in a new compatible modem. The consumer introduction of DOCSIS 3.1 marks a major step forward in the evolution of ultra-high-speed broadband, because the new technology allows consumers to receive gigabit Internet speeds over an existing connection and has the potential to make ultra-fast speeds available more widely than fiber-to-the-home services, which typically require new construction and specialized installations. As we have

stated in the past, Comcast already exceeds the expectations of the 2024 broadband goal, and is poised to continual to invest and innovate to stay ahead of consumer demand and competitive alternatives.

Internet Services for Low Income Families: Comcast also has made a major commitment to addressing broadband adoption through its Internet Essentials Program that provides low-cost Internet service at \$9.95/month for 10 MBPS service to households with at least one child qualifying under the federal free or reduced school lunch program. There is no term contract, no installation fee and free In-Home Wi-Fi is included. Internet Essentials includes an affordable computer or laptop for \$149, and access to online or in person training.

Access for People with Disabilities: In November 2015, Comcast launched a new “Talking Guide” for Access to Television. Comcast’s X1 cable box, available to all customers, responds to voice commands to select programming and also provides descriptions of the on screen action, for example on movies. Comcast’s X1 Box also provides closed captioning, in large scale if desired, for the deaf and hearing impaired. <http://www.xfinity.com/accessibility>.

A Top Employer in Vermont: Finally, we are a high quality employer of choice for nearly 300 Vermonters. As a technology company with a growing business, Comcast has been recognized several times as a top employer in Vermont. Earlier this year, we announced that we are hiring for 50 new positions. We are committed to making our customer’s experience better every year and improving customer service is our number one priority. We invest about \$20 million in year in employee pay and training.

Comcast appreciates the Committee’s consideration of these views.

Contact:
John Sutich
Vice President, State Government Affairs
Comcast
John_sutich@cable.comcast.com
617-279-5659