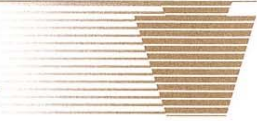


Pennsylvania Telephone Association

*"The Communications
Leader in Pennsylvania"*



SENATE COMMUNICATIONS AND TECHNOLOGY COMMITTEE

PUBLIC HEARING ON RURAL BROADBAND DEPLOYMENT

AUGUST 7, 2019

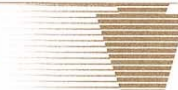
TESTIMONY OF STEVEN J. SAMARA

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Good Morning Chairman Phillips-Hill, Senator Pittman and Committee Members.

My name is Steve Samara and I am President of the Pennsylvania Telephone Association (PTA), an organization which represents the interest of the state's rural local telephone companies, or rural local exchange carriers (RLECs) as they are commonly known.

The Industry

The PTA is comprised of RLECs ranging in size from several hundred access lines to those who serve several hundred thousand lines, but all are providing the kind of advanced services that today's consumers often demand; including voice, video, and broadband services.

But as similar as Pennsylvania's RLECs may look to the other telecommunications providers, there are several key characteristics that distinguish my members, and they are crucial from a public policy perspective.

First, RLECs are carriers of last resort (COLR). What that means is that they are required to provide voice service to anyone who requests it within their service territories, regardless of population density. Simply put, we do not get to pick and choose where we will provide service. It is not a business model designed to maximize profitability, rather to ensure that Pennsylvanians in all corners of this Commonwealth have access to affordable voice service and, as we will talk about momentarily, have the ability to access broadband services.

As COLR providers, my members are fully regulated by the Pennsylvania Public Utility Commission (PUC). They file a variety of reports with the PUC, pay annual assessments to help fund the operation of the PUC, and respond to customer/constituent complaints to the Commission ranging from service issues, to billing disputes etc.

Another key characteristic of PTA Member Companies may be self-evident in the RLEC designation itself. We serve rural Pennsylvanians. I mentioned that my member companies range rather dramatically in size, but what they have in common is that they are serving sparsely populated areas of Pennsylvania; the larger PTA companies just serve more square miles of these rural areas.

Act 183 of 2004

With many parallels to our COLR obligation for traditional voice service, Pennsylvania's RLECs also have a statutory broadband obligation under the provisions of Act 183 of 2004. That act, passed by the General Assembly and signed by the Governor in November of that year, requires my member companies to build a network which makes 1.544 Mbps available to all of its customers within 10 business days of a request. To the best of my knowledge it is still the only state statute which requires universal broadband build-out and I would respectfully ask that you keep that in mind when claims of lack of broadband availability are made.

The Rural Broadband Picture

RLECs have gone far beyond the Act 183 speed requirement in many instances, with varying degrees of success. Success in this scenario is defined simply as take rates; i.e. how many individuals are actually signing up for the broadband service the RLECs are offering?

Remember, many of these are areas of the Commonwealth that, due to sparse population and geographic challenges are uneconomic to serve. They are uneconomic for basic voice service and uneconomic for broadband service absent significant subscribership numbers.

We've all heard that broadband deployment in rural areas of the nation is a major economic driver, but one recent study questions the impact of mere availability and ties the positive impacts to how many individuals are actually subscribing to broadband service. All of my members wish the "If you build it, they will come" mantra was applicable to rural broadband, but this simply is not the case.

Addressing the Challenges of Rural Broadband Deployment

Due to the miles between homes and businesses in rural Pennsylvania, cost is the most significant hurdle to clear when deploying broadband.

There are varying estimates as to the per-mile cost to deploy fiber optic cable, but the overall cost to reach a 100 Mbps is a billion dollar number in Pennsylvania, not a million dollar number.

Several PTA member companies have taken advantage of the various phases of the Connect America Fund (CAF) revenue source, and it has been helpful in

reaching rural pockets of Pennsylvania. But even with the hundreds of millions of dollars made available nationwide, this is a challenging situation.

Across the country, state-level initiatives have surfaced over the past few years with a variety of funding sources and Governor Wolf created the Office of Broadband Initiatives which continues to explore innovative ways to leverage funding to support and/or incent rural broadband deployment.

The Pennsylvania Public Utility Commission (PUC) is poised to rule on an examination of pole attachments and whether the PUC, as opposed to the FCC, should adjudicate cases involving the costs associated with make-ready work and attaching the infrastructure which will bring broadband to rural parts of the state.

The PA Senate has considered various legislative efforts to address broadband deployment, with most of those efforts residing within the purview of this committee and the Consumer Protection and Professional Licensure Committee.

The latter has considered PTA-supported legislation to preserve, for a limited time, the Pennsylvania Universal Service Fund (PAUSF) which helps RLECs maintain the landline network necessary for the provision of broadband services.

A previous iteration of that bill (introduced in the House) provided for a PUC

review of the fund to determine if it should be expanded to include funding to support rural broadband deployment.

Looking Forward

As I mentioned, the Member Companies of the PTA have gone far beyond the statutory speed requirements of Act 183. The question now for the telecommunications industry and public policymakers is: “How do we get broadband at increased speeds to the least densely populated areas of Pennsylvania where individuals have expressed a desire to subscribe?”.

The answer is short, but certainly not simple: We need to make a business case for the providers who are potentially in a position to offer these services.

In addition to the initiatives already mentioned, I expect you will see others from the RLEC industry including allowing for cost sharing when infrastructure needs to be moved for road/bridge projects, fair taxation of gross receipts, and modernizing the current regulatory structure of the telecommunications industry.

As always, the PTA stands ready, willing, and able to work with this committee on these issues and appreciates the opportunity to share our perspectives.