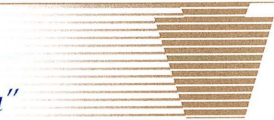


# Pennsylvania Telephone Association

*"The Communications  
Leader in Pennsylvania"*



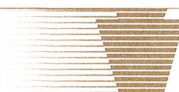
HOUSE CONSUMER AFFAIRS COMMITTEE  
INFORMATIONAL MEETING ON BROADBAND INTERNET SERVICE

AUGUST 17, 2016

TESTIMONY OF STEVEN J. SAMARA  
PRESIDENT  
PENNSYLVANIA TELEPHONE ASSOCIATION

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Good morning Chairman Godshall, Chairman Daley and members of the House Consumer Affairs Committee.

On behalf of the rural local exchange carrier (RLEC) member companies of the Pennsylvania Telephone Association (PTA), I want to thank you for scheduling this meeting and providing the opportunity to address a topic that is of vital importance to Pennsylvanians throughout this Commonwealth.

First, a brief background on the PTA.

PTA member companies range in size from less than a thousand access lines to several hundred thousand but, regardless of size, all serve predominantly rural Pennsylvanians.

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In addition to the unique customer base, PTA member companies can be distinguished by another measure; they are carriers of last resort (COLR) or, put another way, are obligated to serve all customers in their service territories. As we begin discussing broadband, it is important to keep in mind the traditional COLR responsibilities of your local RLEC.

Fortunately, broadband availability has been a priority of this committee and the entire General Assembly for many years, with the foundation for universal broadband deployment being Act 183 which was passed in 2004.

The act required the PTA member companies to deploy a network capable of delivering speeds of 1.544 Mbps downstream by a date certain. For the smaller companies, that date was December 31, 2008, for the larger companies it was December 31, 2013.

To meet that goal, these companies have invested significant resources totaling in the millions of dollars.

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But these companies didn't stop there, they have continued to invest in an effort to provide customers with broadband at speeds higher than that statutorily required by Act 183.

Some have universally deployed a fiber to the home network with speeds up to 25Mbps. Others are in the midst of deploying fiber and pursuing other initiatives to bring customers cutting-edge broadband services.

One typical small RLEC has spent over a million dollars in meeting Act 183 requirements, and more than \$2 million since then to meet the demand of certain customers.

And customer demand is the other side of the story which bears mentioning.

Despite the enormous investment, not everyone signs up for broadband service.

In the case of the typical company I profiled, only approximately 40 percent of its potential customers are currently broadband subscribers.

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But, today we need to address your constituents who are already subscribing to broadband service and are demanding higher speeds and a quality customer experience, both objectives of the PTA member companies as well.

To these customers, 1.544 Mbps may seem like dial-up Internet service even if it perfectly fits the demands of other customers. Let's not lose sight of the fact that Act 183 is 12 years old and, while we've met the letter of the law and are proud of what we've accomplished, the definition of what actually constitutes broadband is constantly changing and depends on who you ask.

In Pennsylvania, the definition is 1.544 Mbps. If you are a company who is accepting certain federal support the definition is 10 Mbps downstream and 1Mbps upstream. The Federal Communications Commission (FCC), which conducts an annual Broadband Progress Report, recently changed the definition of broadband from 4Mbps down and 1Mbps up to 25 Mbps down and 3Mbps up. That change tripled the number of U.S. households that lack broadband access. One current FCC Commissioner believes that the definition should be 100Mbps downstream. This dynamic situation is addressed in legislation which this committee is currently considering, House Bill 1417. Sponsored by Representatives Sandy Major and

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Mike Hanna, the bill directs the PUC to conduct an investigation of the Pennsylvania Universal Service Fund and, if it determines that the fund should continue, requires a determination as to whether the fund should direct revenues to support broadband for Pennsylvania customers to meet FCC broadband requirements.

Ultimately, our goals here are the same; to provide our customers and your constituents with the broadband services they want. Despite the challenges I highlighted, the PTA member companies continue to make every effort to meet that objective and look forward to working with the committee and all legislators on this important matter.

Thank you, and I am happy to answer any questions that you may have.