PRESENTATION TO THE STATE OF OHIO

HOUSE OF REPRESENTATIVES

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TESTIMONY OPPOSING SUB-SB 117: STATE CABLE FRANCHISING

PRESENTED BY

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Chairman Hagan, members of the committee, thank you for the opportunity to present testimony on sub SB 117, state franchising legislation. My name is Rita Stull. I am president of TeleDimensions, Inc., a public sector telecom consulting firm, based in the City of Cincinnati for the past eighteen years. Prior to starting the firm, I worked for the City of Cincinnati as its first cable administrator. In 1984, I testified before Senator Goldwater's Telecommunications Sub-Committee during deliberations that resulted in the passage of the Cable Communications Policy Act of 1984. If you are interested in receiving information about that legislation and how it affected existing cable franchises I can present that to you at a different time. I am currently writing a book on telecommunications policy for elected officials and public administrators. My testimony today includes information gathered during research on that project. I respectfully ask:

WHAT IS THE QUESTION TO WHICH SB 117 IS THE ANSWER?

We have telephones, television, cable, cell phones, computers, satellite, radio, the Internet —I-Pods, I-Phones, Blackberries, video games. Yet, the US is behind—ranking fifteenth in the world with Internet carried on copper wire at 3 Mbps (megabits per second). **The US significantly lags behind most of Europe and Asia where homes and businesses buy Internet carried on fiber of 100 Mbps**. We don't have to know what mega-bits-per-second means to understand that the **US version of high speed Internet** is appallingly deficient. Using a highway analogy, we're paying $40 a month for 3 Mbps of copper wire 'dirt road' Internet, while our competitors are buying 100 Mbps of fiber "interstate-highway" for the same price.

We've had phone twisted-pair copper wire infrastructure for over a 100 years, shielded copper coaxial cable for over 40 years and fiber optic cable for over 20 years. U-verse delivers video over at&t's last-mile 'copper wire' plant—the telecom equivalent of a dirt

road. Instead of investing in Ohio's future and delivering video on a state-of-the-art, fiber-to-the-premise super highway, the telcos try to squeeze more profits from obsolete infrastructure.

SB 117 voids universal service franchise requirements. This bill asks the Legislature, **once again**, to abandon places with no high speed Internet at all. What does this mean to individuals living in an area without Internet service? At a recent conference, a council member from rural Ohio talked about his son, a college graduate in computer software design who wanted to start a business in his hometown and live near family—except there was one big problem. The town didn't have high speed Internet—his son had to move to an urban area to work. To put this in perspective, it's as if his son bought a high performance automobile; the nearest "dirt road" is fifty miles away and there's no way for him to get there.

U-verse technology offers nothing more than telecom dirt roads in affluent urban areas—**provided** the company chooses to build there, and offers no road at all to rural areas. U-verse does nothing to position the state of Ohio for the kinds of long-term new jobs and economic development our overseas competitors enjoy. Do you really believe Ohio will see thousands of new jobs develop from obsolete infrastructure? The evidence is clear. Fiber to the premise networks, not copper wire infrastructure, will determine the viability of our state's economy in the future.

My son owns a business with offices in Cincinnati, Miami, FL and Turku, Finland. He pays $500 a month for 1.5 Mbps, bi-directional Internet carried on a T-1 phone line. His employees in Finland buy 45 Mbps of **home** bidirectional Internet carried on fiber for about 35 euros a month. Japan just announced 100 Mbps home Internet service for $36 a month. While Asian countries are already beginning to upgrade Internet to 200 Mbps,

at&t proposes a 10 Mbps U-verse entertainment-video upgrade. One of the Ohio representatives asked if everyone needed 100 Mbps Internet available to them. My response is I guess not. We can let the rest of the jobs left in Ohio go overseas to Korea, Japan, India and most of Europe—where it's cheaper to teach people to speak English and buy inexpensive Internet. How can Ohio businesses compete in a fiber-based world economy on outrageously priced dirt road technology?

What adds insult to injury is that SB 117 would overturn an intentionally-designed thirty-year cable franchising process that resulted in most of the nation being wired with cable in five years—WITH universal service—which means infrastructure that serves every business and home. In Cincinnati, Warner built 850 street miles of cable plant in just three years. Now the Legislature is being asked to **eliminate** those universal cable service **requirements** that worked so successfully and served our communities so well in the past. What's the value of a communications network that isn't available to everyone?

Phone and cable companies need to upgrade to a fiber-to-the premise network in order to carry Internet at 100 Mbps. People using fiber to the premise networks can receive and send all of the latest voice, video and data services. Employees can work from home, use high-definition video teleconferencing and, **in seconds,** send any size file, including movies, anywhere in the world. Can you imagine the kinds and numbers of new businesses and real long-term jobs that will develop when fiber-to-the-premise networks become available universally in this country? Envision, for example, using telecom to reduce auto pollution by having people work from home and meet with colleagues using high quality video teleconferencing rather than commuting and traveling long distances in their cars. Imagine the innovation revolution that universal fiber networks will support.

The Nieman Foundation for Journalism at Harvard University produces a blog called, *Nieman Watchdog, Questions the Press Should Ask.* In the March 14, 2006 posting, their question for the press was "ASK THIS "Where's that broadband fiber-optic access?"

(Quote) "Customers . . . paid billions per state in 'extra fees" for open. . . fiber optic, 45 Mbps, high-definition video . . . networks they never received . . . 86 million households should already have been rewired with a fiber optic service, replacing the [phone company's] copper wiring to homes and offices. Since 1994 Americans have paid over $200 billion in excess fees as well as tax and other financial incentives to the Telcos, and there is nothing to show for it." (end quote) Where is all that money?

The failure of Telcos to deliver fiber infrastructure for Ohio is worthy of investigation by this Legislature **before** any changes are made to the cable franchising process. There is nothing in existing video franchising requirements that prohibits at&t from deploying U-verse technology.

What is a public asset? Is it just public right of way, arguably the most valuable asset in the world—the nine feet of land on either side of every road—or does it include educational, economic development, public safety and social service networks? In the City and County of San Francisco FTTP Feasibility Study, consultants discussed the financial value of public asset issues: *It's important to note that the business case for FTTP is not limited to such easily-quantified matters as cash flow and capital investment —rather, the business case for such a network also includes the less quantifiable financial factors, including economic development, small business empowerment, job creation, livability, environment protection, education, increased sales tax and real estate tax revenues, increased property values and other factors that measure the overall benefit of a next generation communications infrastructure such as FTTP ."*

The problem is that phone and cable's copper-based wire plant can't be upgraded beyond Internet speeds of 5-10 Mbps. Both need to rebuild with fiber-to-the-premises (FTTP) networks in order to handle Internet speeds of 100 Mbps or more. Neither phone nor cable operators want to make an investment in FTTP networks without legislation that guarantees retention of their duopoly market position. So they seek this legislation that grants them virtually unrestricted use of Ohio's public land in perpetuity

Cable franchises set the standard for requiring payment for use of public land at the local level. This important legal precedent sets the stage for dealing with telecom policy in an era of explosive technologic growth. How can States address entrepreneurial demand for high speed Internet and capacity that can only be provided on an FTTP network when the phone company won't build it and proposes U-verse instead? Ohio needs legislation that allows the state to "catch-up" and become a player in the 21st Century's communications dependent economy. Some European and Asian countries are already upgrading their last mile fiber networks to 200 Mbps with 1gigabit backbone. Existing cable franchise regulations must remain intact until local governments and the State can address critical telecom policy issues that will determine the Ohio's economic viability in the coming decades.

In the 2007 San Francisco Fiber-to-the-Premises Feasibility Study, consultants stated that (quote) "**fiber represents the holy grail of communications networking: unlimited capacity, long life, and global reach**." (unquote) When will Ohio and all of its communities get fiber?

Cable franchising sets the **legal precedent for charging private companies for use of public land**—a precedent that supported

- Fair payment for use of public property and
- thirty years of explosive telecom growth, and
- resulted in wiring the entire US with cable in about five years
- created public, education and government access—or local C-Span—which guarantees that everyone has the right to speak and not just the industry, and
- culminated in the convergence of fiber and digital technology.

Technologic innovation, not oppressive regulations, created the telecom void and economic development dilemma policy makers face today.

How **do we deal** with the fact that Ohio needs affordable and accessible fiber-to-the-premise networks in every community when the phone company **won't** build them, **even after receiving billions in public subsidies to do so?** Instead of investing in Ohio's future, with SB 117, the Telcos propose to create a '**legal red-lining' precedent for denying** telecom access to selected communities.

- Does Ohio deserve a fiber-to-the-premise network, or should we settle for more telecom "dirt roads" in the form of U-verse?
- Does Ohio want to become a player in a fiber-dependent world economy?
- Why can't cable franchising remain intact and continue to provide minimal protections of our public land assets and free speech?
- Shouldn't the State develop a policy that guarantees video services for **all** communities—urban, suburban and rural?
- Doesn't Ohio deserve advanced telecom technology that ensures its community, educational and economic viability for the future?

I think so.

I hope you do, too.

Thank you.