

Broadband Cable Association of Pennsylvania
Testimony before House Republican Policy Committee
April 5, 2018



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Good morning. I am Brian Barno, Vice President of Government Affairs for the Broadband Cable Association of Pennsylvania (BCAP). BCAP is proud to represent companies including Adams Cable Service, Atlantic Broadband, Beaver Valley Cable, Blue Ridge Communications, Charter Communications, Comcast and Service Electric that have rolled out true broadband service in counties throughout northeastern Pennsylvania. While BCAP members are the leading providers of residential broadband services, they also supply business-grade voice and data services to commercial, educational, health care, community and first-responder customers. We need to build upon this success to close the remaining digital divide by adhering to the following principles:

First, encourage private investment. Fixed and mobile broadband providers are spending billions in the Commonwealth to upgrade and expand broadband networks. BCAP members alone have invested over \$8 billion in risk capital since the 1996 Telecommunications Act to build the Commonwealth's most robust broadband infrastructure. We urge you to follow the Hippocratic Oath and do not harm, especially by permitting any new government support to be used in areas where private investment has already been used to deploy infrastructure. Nothing will undermine our broadband future more than signaling to private investors that their returns on investment are uncertain, or even in jeopardy, or singling out one set of providers or one sector alone for favorable treatment.

Second, remove barriers to deployment.

- Remove impediments for utility pole owners to overlash, install customer connections and undertake short-run extensions.
- Ensure pole owners employ a transparent and timely application approval process so requesting attachers would be certain that they are supplying information pole owners need to begin a survey, and that their application would be deemed complete in a reasonable timeframe.
- Provide for joint surveys among pole owners and new and existing attachers.
- Prohibit pole owners from imposing costs unrelated to new attachments when undertaking make-ready and implement an effective self-help remedy to deal with existing attachers who fail to undertake make-ready.

Remove tax barriers. The state Senate needs to pass and Governor Wolf needs to sign HB 2017, bonus depreciation legislation that will allow businesses, including broadband providers, to take advantage of President Trump's Tax Cuts and Jobs Act. Under the Act, bonus depreciation doubles from 50% to 100% for property purchased between September 27, 2017 and January 1, 2023, effectively allowing an immediate federal tax write-off for qualifying new and used property. In response to the federal changes in depreciation produced by the Act, the Pennsylvania Department of Revenue (DOR") issued Corporation Tax Bulletin 2017-02. This bulletin provided that "any deduction for depreciation of qualified property must be added back to Pennsylvania taxable income for corporate net income tax purposes," effectively denying any current depreciation-

related deduction with respect to property using 100% bonus depreciation for federal tax purposes. This regulation substantially increases the cost of investment for Pennsylvania businesses hurting BCAP members with plans to invest millions in broadband infrastructure. We appreciate the state House's passage of HB 2017 in March and urge the state Senate to follow your lead.

Re-evaluate broadband subsidies. The FCC's Connect America Fund II (CAF II) is a model subsidizing broadband in unserved areas using a reverse auction process to distribute support. Governor Wolf's recent broadband initiative, which provides PennDOT support to supplement recipients of CAF II Reverse Auction dollars, is on the right track.

BCAP members are concerned about the state's Universal Service Fund (USF). The fund has grown from \$29 million in its inaugural year of 1999, to \$34 million today – while supporting half as many telephone lines. While there may be an argument for providing some of the Commonwealth's smallest ILECs with USF support, policy makers need to know what companies are receiving, how much the subsidy is and where it is being spent – information that is currently not available. However, there is no excuse to have broadband cable voice customers subsidizing competitors such as CenturyLink, Frontier and Windstream. These national companies do not need USF support.

Question outlandish promises. There are examples both in Pennsylvania and around the country where local and state officials have been 'wowed' by high-tech wireline and wireless providers promising higher bandwidth and lower fees. Why do these initiatives

fail? They start out with the assumption that they've discovered the magic formula to make money – when the private sector couldn't do it in the past. Are they lowballing prices? Do the prospective companies have a customer base, years of service, employees, back office billing, technical and dispatching experience? Do they have the relationship with equipment suppliers to make a million-dollar purchase order? Does the entity have the financial wherewithal to deliver on promises?

Take a comprehensive approach on adoption. BCAP members offer high-speed broadband to every home we pass. However, quantitative research by the Census Bureau, FCC and Pew Research confirm that the most significant barrier to adoption is a number of digital relevance and digital literacy issues. Research consistently shows that the cost of computer equipment and the cost of service are less significant barriers to adoption. Closing the digital divide is dependent on a comprehensive approach that addresses all major barriers to broadband adoption.

BCAP members are committed to providing broadband to small town and rural Pennsylvania and look forward to continued work with the House Policy Committee to bridge the digital divide. We appreciate the opportunity to share our thoughts with the Committee.