

Levoy Knowles
Comments for The Tennessee Advisory Commission on Intergovernmental Relations
("TACIR")
On Behalf of the Tennessee Telecommunications Association
October 21, 2015

Mr. Chairman and Committee members' good afternoon. My name is Levoy Knowles and I am the Executive Director of the Tennessee Telecommunications Association or the TTA. My comments are being made on behalf of the TTA membership.

I would like to thank you for the opportunity to serve on today's panel and to discuss broadband connectivity issues such as deployment, adoption, and availability in areas served by the Association members.

My comments will focus on some of the challenges that we face in deploying broadband as well as the need to improve education and adoption

First, I would like to provide you with insight concerning the TTA members:

1. The TTA consists of 22 small to medium sized companies and cooperatives scattered across Tennessee.
2. We serve predominantly rural areas of Tennessee covering over 30% of the State.
3. We employ approximately 1,700 Tennesseans.
4. We provide service to approximately 320,000 customers including 28,000 businesses.
5. We have a total investment in Tennessee of approximately \$2.1B.
6. We offer broadband speeds up to 1 Gig.
7. Our average density is only 12 subscribers per mile
8. Our broadband availability covers 98.3% of our service area.
9. Our average subscription rate is 60%.

As I mentioned, the TTA members have invested over \$2.1B in Tennessee and we continue to invest in our broadband networks. For example, last year we invested an additional \$93M in building out our fiber network, with most of our members are investing in fiber to the home projects and one member

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converting over 50 new FTTH subscribers a week. Today our members have over 12,500 miles of fiber built throughout their service areas.

Our members are committed to building out broadband networks in rural areas. However the initial capital outlay is a costly endeavor as to the ongoing maintenance and required software upgrades. Based on this challenge, our members are working to encourage the Federal Communications Commission (FCC) to update and modernize the Connect America Fund (CAF) for rate-of-return carriers to include support for broadband, not just voice service. Recently the FCC announced the availability of federal funding (Connect America Fund Phase 2 – CAF 2), this is solely for larger carriers (price cap) only. We are fortunate that one of members, CenturyLink, was eligible for CAF 2 funding and announced they have accepted \$1.7 million. These dollars will be invested in Tennessee, along with CenturyLink’s investment, benefiting approximately 5,800 customers. Additional federal dollars could flow to Tennessee if the FCC revises their formula.

So what can Tennessee do to help with broadband deployment?

1. The State can provide tax incentives, such as sales tax and reduced property tax assessments, for rural areas.
2. Help educate the FCC, with letters of support, for a broadband support model for rural rate of return carriers. State legislators and local government can work with our national congressional delegation to help communicate the importance of broadband deployment in rural areas and the necessity of predictable and sufficient federal support.
3. Address the pole attachment issue. The current exemption from federal and state regulation of pole attachment rates allows providers to charge significantly inflated pole attachment rates that impact the private sector’s investment and pricing of its broadband services.

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4. There is a Tennessee Broadband Deployment Fund – TN code 7-59-315 – that could be seeded to provide funding for initial investments and ongoing maintenance with the State directing when and where the investments would be made.

As I previously mentioned, despite our significant and continuing investment in our broadband networks, the overall adoption of broadband service is lagging. The average subscription percentage for broadband service in the TTA members’ areas is 60%. We believe that more emphasis should be placed on education. While we offer speeds up to 1 Gig, 95% of our customers who subscribe to a broadband service purchase data speeds of 25mbps or less. It’s not because the service is not available; it is because customers choose not to purchase the service.

Broadband deployment projects are a very costly undertaking. In building out a broadband network, a company must consider customer density and subscription rates. A company can build the network but it’s up to the customer to subscribe to the service. For example, we have several members who have completed fiber to the home projects throughout 100% of their service territory.

1. One member has spent \$75M in building out their fiber to the home network, and has achieved broadband adoption rate is only 51%.
2. Another member has spent a \$50M to-date and will spend an additional \$45M through 2016, and has a 60% broadband adoption rate.

TTA members believe more emphasis should be placed on education which will help with the overall broadband adoption rate. We should be trying to educate Tennesseans how broadband service can enhance their lives, help them in their businesses and provide a modern way to communicate.

In closing, I would like to emphasize that the TTA members have made significant investments in rural broadband networks and have deployed over 12,500 miles of fiber. Our broadband services are

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available to 98.3% of their customers. Many of our members now provide data speeds up to 1Gig service. Again, even with our high speed offerings, 95% of our customers subscribe to 25mbps or less. As I previously mentioned, education is the issue and not availability. For some customers, a lower data speed is appropriate based on their individual or household needs.

On the public policy front, our members continue to aggressively pursue reforms, at the national level, of the Connect America Fund for rate of return carriers that will promote broadband deployment in rural areas. We are optimistic that a Plan will be in place in 2016.

While the TTA is supportive of the need to promote and expand broadband service in Tennessee, we are opposed to the expansion of broadband and video services, by municipalities, beyond their existing footprint.

We strongly believe the focus for improving broadband service in Tennessee is to not only find ways to promote investment by the private sector but to increase customer understanding of the benefits of broadband service and awareness of service availability. The result will be an increase in broadband adoption rates.

Thank you for your time today and for allowing me to express the views on this subject.