

October 31, 2011

Telecommunications Association of Maine Comments on Draft Strategic Plan

The Telecommunications Association of Maine (TAM) offers the following comments in respond to *Developing Broadband in Maine: Draft Strategic Plan -- Draft v.3*, issued by the Sewall Company on October 13, 2011 (“Strategic Plan”).

Introduction

As a preliminary matter, the draft Strategic Plan appears to have been issued a bit prematurely. *Developing Broadband in Maine: Needs Assessment Volume I* issued by Sewall Company on June 10, 2011 (“Needs Assessment”), identified a step prior to issuance of the Strategic Plan that has not yet been taken, “J: Develop a series of indices for comparative analysis”.¹ This step is absolutely critical in order to avoid waste, fraud and abuse in the process. When spending citizens’ money, there must be a clearly established set of goals and deliverables for every single expenditure. You must be able to objectively document: (a) where the money is going; (b) why the money is being expended; (c) the benefit that will result from the expenditure; (d) when the benefit will accrue; (e) a showing that the benefit exceeds the cost; (f) a timeline of when the benefits will be delivered; (g) a metric for determining, at regular intervals, whether the deliverable timeline is being met; and (h) a methodology for terminating the program if the timeline is not being met. These benchmarks and deliverables are what would populate indices for comparative analysis in an empirical and objective manner. By skipping this step, the ConnectME Authority would be opening the entire set of proposals up to extensive waste and abuse. Before taking one penny from the pocket of a Maine citizen, the ConnectME Authority must have this empirical and objective set of benefits and deliverables in place. If these indices are not developed, then the State should reject any requested expenditures.

There appears to be a significant flaw throughout the action items proposed by the Sewall Company. As the Strategic Plan notes, the clear results of the Needs Assessment shows that perceived value for broadband adoption is low. While Sewall Company does offer recommendations aimed at increasing the value of broadband for residential end users, small businesses, health care facilities, and Community Anchor Institutions, the majority of recommendations are all basically driven by the notion that people *should* want it so the State should expend scarce resources to deliver something that the majority of respondents are not actually asking for. This is hardly a model of responsible stewardship of taxpayer dollars. If there has been an objective determination that demonstrates the tangible benefits of improving access when existing access is available but left unused outweigh the costs, then that would be a reasonable basis for proceeding. However, that showing has not yet been made. When proposing to spend taxpayer and ratepayer money, it is not enough to rely on anecdotal stories of how a broadband “silver

¹ *Needs Assessment*, at p. 2-4, Figure 2-1.

bullet” can save the State economy. With that said, below are additional specific comments on some of the action items proposed in the Strategic Plan.

Specific Section Comments

Section 3.3: Survey findings and Baseline Numbers.

In the sections relating to education barriers to adoption, the Strategic Plan states that “Price at the Maine State Library Network (MSLN) project level, sufficient bandwidth, and lack of middle and last mile infrastructure are all barriers to adoption (*current quantitative data is not available*).” (emphasis added). Essentially, all schools have broadband, there is no empirical data showing inadequate service or barriers to adoptions, and yet based on what appears to be anecdotal evidence additional support is required. While this is not a surprising recommendation given that 25% of the Broadband Assessment Team are currently in the employ of the University of Maine System, it is nonetheless one that lacks sufficient basis to serve as an objective basis for expending State resources or taxpayer and ratepayer funds.

Section 4.1: Home and Business.

Section 4.1(5) suggests directing the State Planning Office to integrate its actions with existing programs. Rather than directing the SPO to find a conclusion before they have the chance to actually assess any facts, it would be more appropriate to suggest that the SPO consider the listed programs and determine what role those programs play in actual development of broadband infrastructure in the State. Indeed, TAM would support a recommendation that the SPO look at all broadband related programs currently being undertaken by any State Agency or other State Entity, such as Network Maine, and determine which ones promote long term sustainable development of broadband in the State and which ones may impede long term sustainable development of broadband and recommend that they consolidate programs to the greatest extent possible to avoid wasteful overlap with either other Agency activities or private investment activities.

Section 4.2: Healthcare.

Section 4.2 suggests a number of methods for both (a) determining whether cost is a factor in lack of adoption for broadband and (b) incentivizing lower costs for broadband to health care. This appears to be an odd combination, where solutions are being offered for an issue that the proposal itself acknowledges may not be a barrier to adoption, namely cost. So long as incentives for lower costs are based on collaborative approaches that do not utilize taxpayer or ratepayer dollars, TAM has no opposition. However, before any action is taken to place additional financial burdens on Maine citizens, there needs to be a much clearer showing that the proposed expenditures will yield a substantive benefit within the State.

Section 4.3: Education.

Section 4.3(1) suggests promoting “the expansion of ultra-high speed next-generation broadband services” through a University project. This is another area where there has been no clear showing of what the goals are, what the measurable benchmarks will be, and what the benchmark benefits will be. This appears to be a solution in search of a problem at this point, full of buzz-words but not a lot of empirical evidence that the State should be expending resources to promote a project without clearly defined deliverables.

Section 4.3(2) suggests methods for assisting public libraries in their role as Community Anchor Institutions. So long as this does not include any additional funding beyond the amounts Maine Citizens are already paying through the MTEAF surcharge, TAM does not oppose the concept. However, if ConnectME begins to fund libraries for broadband purposes, then libraries should be removed from the MTEAF program. Maine citizens should not be required to pay twice to support the action items listed in Section 4.3(2).

Section 4.4: Government Services.

TAM agrees with the general conclusions in Section 4.4 that the Government web presence can and should be used as a major driver for increasing take rates among Maine citizens. TAM would suggest adding an action item directing ConnectME to work with InforME and State Agencies to develop methods to ensure that government services available on-line be available at costs equal to or less than what an individual would pay for the service (such as a permit, new license plate, payment of a fine, etc.) if the individual accessed the State Agency in person. This is the single best way to improve the usefulness of broadband service for people of the State, and it is entirely within the control of the State. To date, the State itself has not taken this step to promote broadband. It is difficult to place much faith in the commitment of the State towards true broadband promotion when the State itself is not willing to take the steps necessary to help the process along.

Section 4.5: Broadband Services.

Section 4.5(1) suggests that the ConnectME Authority move towards supporting “underserved” rather than “unserved” areas when issuing grants. Again, this is an issue where there are no clear deliverables or goal markers. The results of the survey showed that the majority of people who did not take broadband did not cite lack of speed, or even cost, as a reason why they are not taking the service. The “solutions” posed in this action item are in search of a “problem” that customer survey have showed is not an actual problem. To now suggest taking money out of the wallets of Maine citizens in order to fund new service in an area where private investment has already delivered services would create a significant chilling effect on private investment in the State. Private investment is based on analyzing the base, seeing what services they want, how many people will take the service, and then determining whether there will be a sufficient

return on investment to deploy the service. These factors get turned on their head when Government takes money away from taxpayers and uses it to artificially skew the competitive marketplace. If the proposed action item 4.5(1) is put into place, it would force companies to consider the possibility that once they invest in an area the value of their investment may be substantially undercut by a Grant from ConnectME to a competitor, thereby stranding the investment made by the private company. This will inevitably drive companies to choose not to improve investment in areas where the economic case is marginal based on the fear that Government intervention will undermine their investment, leading to slower improvement in data speeds in rural areas. Implementing this action item would be detrimental to residential broadband in the State.

Section 4.5(2) highlights a basic misunderstanding held by many people outside of the industry. Namely, that the Public Switched Telephone Network is just about voice service and voice service has nothing to do with broadband. The reality is that the PSTN forms the basis for carrying all forms of traffic, including data traffic, throughout the State and the Country. These investment are substantial and the idea that the facilities are in some way in need of replacing is quite simply false. In addition, discussing reworking the State USF into something that supports broadband fundamentally misunderstands what Maine USF does. Maine USF was created for the explicit purpose of preventing the reduction of intrastate access rates from resulting in the doubling of basic service rates for customers in rural parts of the State. The topography of the State has not changed. The costs for providing any connection to rural customers continues to be high. Rural telephone companies, by and large, do not have the ability to use internal subsidies from video offerings, or profits from affiliated content providers. The Maine USF is designed to comply with federal law that comparable service be available at comparable rates regardless of where a customer lives. To the extent this action item would result in higher basic service costs for rural customers, application of the action item would be pre-empted by federal law. There is a significant regulatory action taking place currently at the State level, and a separate issue occurring at the federal level. The fact is there is no empirical data in the Needs Assessment that looks at the full scope of impact of the changes being proposed in this action item. The ConnectME Authority should not accept any action item that is based on anecdotal information or other subjective data. For this process to be meaningful, it must be grounded on factual empirical data that results in objective proposals. On this issue, the group preparing the comments didn't fully investigate the inter-relationships among the various forms of infrastructure in the State. The ancillary impacts of adopting this action item could easily result in people in the State being completely disconnected from any form of communications services. The ConnectME Authority should leave this issue to the Maine Public Utilities Commission to handle.

Section 4.5(3) suggests creating a program targeted at wholesale offerings. It is not clear what empirical data supports this option. What are the expected deliverables? What is the timeframe for seeing benefits? What would the benefits be? This is yet another action item that lacks an objective, empirical set of measurable targets. As such, it should be rejected.

Section 4.5(5) is an interesting proposal, although the action item is somewhat vague on how it will be leveraging entities such as the Department of Economic and Community Development to promote a Maine-Canada backbone, as well as what the State might be committing to if the Governor passes the requested resolution. So long as there is a clear commitment that, prior to any State resources being committed to the project there be a revisiting of the issue to establish empirical and objective goals and deliverables, TAM does not object.

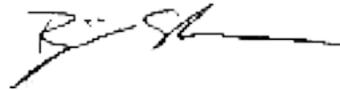
Section 5: Public Awareness Campaign.

The outreach contained in Section 5 seems like a good way to promote take rates. Having a “ConnectME” branded car seems to have very little advantage, however, and it does not seem like a reasonable expenditure of public funds. Additionally, as noted above, part of the outreach has to be to State Agencies to make more services available on-line and ensure that those services are available at or below the cost of obtaining those services in person. If the State is serious about broadband expansion this is a step that Agencies *must* undertake.

Conclusion

TAM believes that prior to attempting to implement any portions of the Strategic Plan, there must first be a development of indices for comparative analysis that set forth clear empirical and objective sets of timelines and deliverables for each proposal so the ConnectME Authority can analyze which proposals should be more fully implemented. TAM also believes that the ConnectME Authority should prioritize those issues which can first be accomplished without resorting to amending usage of the existing ConnectME Fund or utilizing additional taxpayer and ratepayer funds. Finally, TAM believes that rather than trying to drive opinion, the ConnectME Authority should actually pay attention to the results of the surveys and focus primarily on improving the perceived value of broadband access before moving to implement any substantive changes that will impact the competitive broadband market in the State.

Respectfully Submitted,



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