

September 25, 2015

Representative Greg Walden  
House of Representatives Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Walden,

Thank you for your letter dated September 14 regarding additional Member questions for the record following the July 22, 2015 “Promoting Broadband Infrastructure Investment” hearing, hosted by the House of Representatives Energy & Commerce Subcommittee on Communications and Technology. I sincerely appreciated the opportunity to address your subcommittee and also appreciate this opportunity to offer further information on our work at Next Century Cities. Please find below our answers to the Members’ questions:

**The Hon. Greg Walden**

**When do you recommend that a community build out its own network? What are the factors under consideration? What does your coalition generally recommend when it comes to improving access to broadband access (sic)?**

Next Century Cities tends not to make these types of specialized recommendations to individual communities. We believe that communities need to study their situations carefully because every community has a unique mix of assets, service providers, needs, and challenges. As a national organization with over 100 member communities, we rarely have a sufficiently strong grasp of the local dynamics that are needed to make a case by case assessment for a community.

We often get questions from communities that are seeking to make this decision and we try to guide them by educating them, connecting them with other communities that have been in similar situations, and working to ensure they have the authority to enact any plan they develop.

Some of the factors we often see communities considering are whether both residents and local businesses have high quality Internet access available on reasonable terms from multiple service providers. High quality Internet access goes far beyond speed or capacity to include measures from technical metrics to basic reliability to customer service. Additional factors include how responsive ISPs are to local needs and how likely Internet Service Providers (ISPs) are to continue investing in the community and providing a high quality service in the future. Finally, we see communities wrestling with how to ensure everyone in the community can connect. Here, it is important to analyze whether existing programs are achieving universal access and are sustainable moving forward.

Our general recommendation is for communities to become actively involved in multiple ways. Options include working with incumbent providers where they are willing; investing in physical infrastructure; partnering with one or more independent ISPs; developing digital inclusion efforts; becoming a service provider; and ensuring community anchor institutions are involved in these processes as well. Internet access has become far too important to local economies and for citizens’ quality of life for local governments to take a back seat when it comes to ensuring local needs are being met.

**Ms. Socia, you discussed two rural towns that are now offering 1 GB services in your statement. Could you describe their model for long-term sustainability? Could you discuss how they plan to continue investing in the network in order to maintain and keep pace with the technology?**

The two towns are Mount Vernon, Washington, and Ammon, Idaho, both members of Next Century Cities. Both of these communities have expanded their fiber networks on an incremental, low risk basis without borrowing any funds. Rather than leasing expensive, low capacity lines from existing providers, they have adopted a course of self-provisioning for their internal needs. We have seen this approach pay dividends in hundreds of communities and unlike higher risk approaches that have on rare occasions failed to generate the expected benefits, we cannot name an Institutional Network that has failed.

Often due to a lack of competition, when local governments lease connections from incumbent providers, they pay far more than would be required to self-provision higher capacity connections. Many communities have recognized that if they self-provision networks, they can operate in a financially sustainable manner while achieving additional goals as well, such as encouraging competition for local businesses and/or residents. Additionally, the costs of operating fiber optic networks is quite low compared to older, legacy networks. Though the upfront costs of building such a network can be high, the costs of running it are more reasonable, especially when compared to paying what amount to monopoly rents in a number of cases.

Mount Vernon has been operating a fiber network for 20 years in a sustainable fashion. Built with a combination of some grants and funds that otherwise would have been used to lease services from incumbent providers, the network has been expanded opportunistically at low cost without borrowing to connect local businesses. Initial grants were from the State of Washington's Community and Economic Revitalization Board.

The network is available to many independent ISPs both via dark and lit circuits to serve local businesses. Ten ISPs currently offer services ranging from voice to 10 Gbps connectivity. The ISPs pay the city a percentage of the revenue gained by using the network. Mount Vernon reports a 293 percent increase in fiber builds since the beginning of 2012.

With twenty years of operational experience and no debt, there are few doubts about its long term sustainability. A relevant question is how it can expand to serve the entire community. We have seen other communities, such as Danville, Virginia, continue to expand incrementally to residential neighborhoods using only net income from existing operations. Others have decided to take on debt to rapidly expand across the city, trusting their many years of operating in this industry to build a strong business plan.

Ammon's fiber network in Idaho is much newer than that of Mount Vernon, though it too is open access, facilitating connections from independent ISPs rather than directly offering services. As in Mount Vernon, it is not yet citywide though it intends to offer connections to every address eventually. Like many municipal networks, Ammon's got its start by being the most cost-effective means of delivering high quality, affordable connectivity to local government facilities. In building the network, city leaders recognized the value of including enough fiber to meet future needs as well as other needs that might arise – connecting local businesses or wireless towers for instance.

New connections are currently paid upfront by the customer, who then pays an ongoing maintenance and operation fee of \$35 per month. This amount is expected to decline as the costs can be spread across more subscribers over time. With no debt, these maintenance and operations fees are sufficient to cover future upgrades – though Ammon is careful in planning for future needs. For instance, the network is not purchasing anything that cannot support 10 Gbps connectivity.



Both Ammon and Mount Vernon have reaffirmed what we have seen in many communities – the amount local governments, businesses, and residents are paying for services today can support investment in the highest capacity, next-generation networks when companies are held accountable to local needs.

**The Hon. Gus Bilirakis**

**Ms. Socia, you have been successful in organizing many stakeholders together to focus on providing affordable, fast Internet to communities across the country. I have a lot of rural communities in my district, what's been the most effective tool in your experience to facilitate broadband development? Are there any successful, mature networks that rural communities can model buildout policies after?**

We think you are asking the right questions. The first answer is that communities have to begin educating themselves on these matters. There are a variety of sources that we recommend from the Next Century Cities website (<http://nextcenturycities.org>) but a very good place to start is Broadband Communities magazine. Additionally, we recommend that they engage some of the local leaders from Lakeland, Florida, a community which has been involved in expanding Internet access locally for years.

There are a variety of models that rural communities may use, but many of them will involve working together to aggregate demand. Whether they choose to find a partner or invest in a publicly owned network, the economics are more favorable with multiple towns coordinating as a region rather than when individual communities act independently.

In Minnesota, a group of small towns in farm country have just established a new cooperative to expand fiber optic service, called the RS Fiber Cooperative. We believe that model will be duplicated in other areas around the country, particularly where local governments themselves do not wish to directly provide services.

If any of the communities in your district would like to discuss these approaches or have any questions for us, we would be very happy to work with them.

Thank you again for these questions and for the opportunity to speak on this important issue. I look forward to working with you in the future to increase access to next-generation broadband for all Americans, and please feel free to reach out if I can be of further assistance.

Sincerely,

Deb Socia  
Executive Director  
Next Century Cities