

**HOUSE TECHNOLOGY COMMITTEE**  
**Dale Laine – Texas Cable Association**  
**Interim Committee Charge #3**  
**February 21, 2012**

Mr. Chairman and members, I am Dale Laine, President of the Texas Cable Association. Thank you for the opportunity to testify before your committee today.

First, some background: In the late 1990s, the cable industry introduced high-speed Internet access service to American consumers and we have been a leader in the broadband marketplace ever since. Over the last decade, cable operators have invested over **\$170 billion** to improve and expand networks. As a result of this massive private investment, availability and adoption of high-speed Internet have increased consistently, as have the speeds offered to customers.

Even in challenging times for the nation's economy, our industry continues to make significant private capital investments in order to increase broadband deployment. The cable industry alone now makes high-speed Internet service available to over 93 percent of American households, including millions of households in rural America. In Texas, more than 99 percent of households have access to broadband, wired or wireless. *NOTE: 4 Mbps downstream/ 1Mbps upstream the threshold for most broadband activity; Speeds below 3 Mbps – considered underserved*

As a result, the cable industry is a major employer in Texas, providing over 14,000 cable operator jobs and supporting an additional 112,000 jobs– with an economic impact of \$15.9 billion.

**Broadband Stimulus Program:**

The 2009 American Reinvestment and Recovery Act appropriated \$7.2 billion to expand broadband access and adoption in communities across the U.S.

- \$2.5 billion for U.S. Department of Agriculture Rural Utility Service's (RUS) Broadband Initiative Program (BIP)
- \$4.7 billion for U.S. Department of Commerce National Telecommunications and Information Administration's (NTIA) Broadband Technology Opportunity Program (BTOP)

Recipients in the State of Texas were awarded over \$400 million in loans and grants for BIP and BTOP projects.

Unfortunately, many of these awards were granted before the completion of maps that provided adequate data on where broadband is currently available in Texas.

Recent releases of the map also prove that some grants were awarded in areas already served by multiple broadband providers:

**Two Examples:**

Valley Telephone – a company that gets 85 percent of its revenue from taxpayer-funded subsidies – was awarded almost \$100 million in loans and grants to build in areas served by Time Warner Cable.

Peoples Telephone was awarded almost \$30 million to build in an area served by Suddenlink.

According to contract terms, BTOP projects must be substantially complete two years from the award date. USDA projects recently had their deadline extended in October 2011 from two years to three years. According to 3<sup>rd</sup> Quarter, 2011 quarterly reports to Congress, more than half of BTOP projects are less than 20% complete. Many have less than a year remaining to be “substantially complete”.

*EXAMPLE: A Valley Telephone Project awarded in June 2010 was only 4% complete in September 2011.*

Serious questions have been raised about the oversight of the broadband stimulus grants.

- How will these grants be monitored to ensure the funding was used properly?
- What happens if the projects are not completed by deadline?

In October, the U.S. House of Representatives approved H.R. 1343 that improves accountability and transparency for broadband stimulus spending, by unanimous consent. The bill requires both agencies to terminate an award and return the funds to the U.S. Treasury if they find waste, fraud, or insufficient performance.

Almost \$200 million in grants have already been returned or rescinded as well:

- Governor Bobby Jindal, R- Louisiana, successfully fought to return an \$80 million grant because it would have competed against private sector:
- Governor Scott Walker, R-Wisconsin, returned a \$23 million grant and has been openly critical of other projects.

We strongly support efforts to increase broadband adoption and as an industry, we have invested substantial resources to that end. Study after study has shown that lack of availability is not a major factor as to why some people in our society do not use broadband. The major reasons why some people do not subscribe to broadband has more to do with income, age, and other factors (no computer in the home, no need for broadband, etc.)

We believe many of these awards were misguided attempts by the federal government to foster broadband adoption by building additional broadband networks where the private sector already provides wired service and there are numerous cell phone providers.

We believe government sponsored competition with the private sector is fundamentally wrong and does not promote additional adoption of broadband or create additional jobs.

## **National Broadband Plan:**

The American Reinvestment and Recovery Act also required that the FCC draft the National Broadband Plan to ensure every American have “access to broadband capability.” The plan was released to Congress in March 2010.

The cable industry has been a strong proponent of the overarching goals of the plan 1) to increase deployment of broadband networks in unserved areas and 2) stimulate adoption of high-speed Internet access services, particularly by populations where hurdles for adoption exist.

We have consistently stressed that to be successful; the plan must promote private sector competition over unnecessary government mandates and subsidies and avoid regulation that will reduce investment and entry incentives.

A key component of the plan was recently announced: the transformation of the existing federal USF into a new Connect America Fund (CAF) to support broadband deployment. We were happy to see that the order establishes a budget and begins to phase out legacy voice support and phase in broadband support.

However, we will continue to advocate for competitive neutrality – and oppose any artificial advantages to incumbent LECs - beyond the advantages already provided. And, we will continue to advocate that any support is targeted to areas not served by unsubsidized competitors and demand greater accountability and transparency for all fund recipients.

Finally, the Public Utility Commission is undertaking an effort to reform the Texas USF on the phone side. We are supportive of reform efforts that ensure the money is spent in areas of true need.

In conclusion, the cable industry supports widespread broadband development and adoption. However, we are concerned about the federal government abusing tax dollars by subsidizing in areas that area already served by private sector companies. We will continue to advocate for competitive neutrality in the marketplace. And, we implore you to make sure any grants are spent for the purposes intended.