

Testimony of
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Before the
Commonwealth of Pennsylvania
House Consumer Affairs Committee

Public Hearing on House Bill 1490
February 7, 2008

Good morning, Mr. Chairman and members of the House Committee on Consumer Affairs. Thank you for the opportunity to testify today.

I am speaking here on behalf of the Communications Workers of America. CWA represents more than 22,000 employees in Pennsylvania who are employed at Verizon, AT&T, Comcast, and other public and private sector organizations in telecommunications, airlines, publishing, government, broadcasting, and manufacturing.

CWA enthusiastically endorses House Bill 1490, an act to amend Title 66 of the Pennsylvania Consolidated Statutes. HB 1490 is a comprehensive, forward-looking bill that creates a framework to stimulate video competition, encourage high-speed broadband deployment, promote good jobs, and protect consumers and workers in the rapidly changing and converging communications environment.

HB 1490 Stimulates Video Competition, Consumer Choice, and Lower Prices

HB 1490 would stimulate video competition by creating a less cumbersome franchising process. Today, a cable TV operator must negotiate with each of 2,600 separate local jurisdictions to obtain a franchise to provide video service. HB 1490 would streamline that process by allowing a video provider to obtain one statewide franchise. This would permit new video providers to enter the market more easily to compete against the incumbent cable monopoly, with numerous benefits for consumers.

Increased video competition would likely lead to lower prices for video service. According to the Federal Communications Commission, cable prices have been skyrocketing at three times the rate of inflation. Yet, again according to the FCC, in communities with a second wireline video provider, pay TV prices are actually 20.6 percent lower than in communities with a monopoly cable provider.¹

Video competition would also improve the quality of service to customers. Consumers who are dissatisfied with their cable service could switch providers, forcing incumbents and newcomers to compete based on price and service.

HB 1490 Protects Municipalities, Consumers, and the Public Interest

HB 1490 protects the traditional role of municipalities even as it streamlines the franchising process. Municipalities would continue to have jurisdiction over their rights of way.

¹ Federal Communications Commission, Report on Cable Industry Prices, MM Docket No. 92-266, Dec. 27, 2006.

The bill prohibits incumbent cable companies from voiding their current franchise agreements, unless the locality agrees or the franchise expires. It also ensures that municipalities will continue to receive the same level of franchise fees they receive under their current cable agreements.

New video entrants must meet the same requirements to provide Public, Educational and Governmental (PEG) channels as incumbent cable TV companies provide today. If there is no incumbent, then the franchise holder must establish a certain number of PEG channels as determined by population. The bill allows municipalities to charge video providers a fee for PEG training and equipment, and sets a floor at the fee paid today by the incumbent cable company.

HB 1490 includes additional innovative public interest requirements that would expand upon what many municipalities have in their local agreements. Statewide cable franchise holders would have to provide one free cable and high-speed Internet connection to every fire station, public school, police station, public library, and municipal building in their service areas. Video providers with state franchises would have to make a commitment to perform all cable service work within the Commonwealth, keeping jobs in our state.

In addition, HB 1490 preserves and strengthens consumer protections and service quality standards. All providers of both voice and cable service would be subject to the service standards that apply today only to telephone companies, and all current protections covering cable would continue to apply.

HB 1490 Promotes Equitable Deployment of High-Speed Broadband Networks

HB 1490 is about more than video competition. It recognizes that in today's world, high-speed Internet is absolutely essential for economic growth and job creation. High-capacity networks will improve delivery of health care, education, public safety, government services, and civic participation. Yet, Pennsylvania today falls behind many other states in broadband penetration, with a gaping digital divide in rural and low-income communities.

According to data from the Federal Communications Commission, Pennsylvania ranks 28th in the nation in residential broadband subscription, with fewer than half of all households in the Commonwealth connected to high-speed Internet.² While there are many reasons for this low penetration rate, one factor is certainly the lack of access to affordable broadband in many communities in our state.

Further, the speeds of the so-called broadband connections lag far behind those in other countries and even other parts of the United States. According to a CWA report on Internet speeds in all 50 states, Pennsylvania ranks 33rd in the nation in Internet download speed and 39th in upload speed.³ Since speed determines what is possible on the Internet, Pennsylvania consumers cannot make use of many Internet-based applications, such as two-way video.

² Federal Communications Commission, "High Speed Services for Internet Access," October, 2007 (based on data as of Dec. 31, 2006); Federal Communications Commission, "Comments of Consumers Union, Consumer Federation of America and Free Press," WC Docket No. 07-38, June 15, 2007.

³ CWA, "Speed Matters: A Report on Internet Speeds in All 50 States," July 2007 (available at <http://www.speedmatters.org>).

HB 1490 provides the legislature an opportunity to promote deployment of 21st century high-speed networks throughout the Commonwealth in two ways.

First, HB 1490 requires large statewide video franchise holders to build networks to communities across the Commonwealth within a reasonable timetable. For example, if Verizon were to obtain a statewide franchise, it would have to make its service available to 35 percent of households in its service area within three years. At least 25 percent of those households must be low-income households. Within six years, Verizon would have to provide service to at least 70 percent of the households in its service area, and within twelve years it would have to reach everybody in their service area. The bill provides flexibility, and allows Verizon to seek permission to extend the time frames should it fail to garner sufficient market share. The bill also prohibits redlining, requiring all video providers to provide service regardless of race or income. Finally, the bill ensures that incumbent cable companies cannot abandon customers in their current service areas, and must extend network upgrades equitably to all their customers within a reasonable time period.

In essence, HB 1490 offers video providers the carrot of a streamlined state franchising process in exchange for commitments to build out their networks within a reasonable time frame to everyone. Many other states have passed state video franchising legislation with build-out requirements, including neighboring New Jersey and the most populous state in the nation, California. In both instances, Verizon has moved forward to build its fiber network. Just last week, Verizon announced that it now serves one-million video customers across the United States.

HB 1490 Establishes a Public-Private Partnership to Promote Universal, Affordable High-Speed Internet

HB 1490 also establishes an innovative public-private partnership to promote high-speed broadband. This partnership is modeled after the highly-successful Connect Kentucky program, an initiative that raised broadband deployment in that state from 60 percent to near universal coverage today and created 18,000 high-tech jobs.

How did they do it? They implemented a comprehensive, strategic approach. First, they developed an online interactive map of broadband infrastructure. Kentucky was the first state in the country to do this. Here in Pennsylvania, we don't know even know which communities have broadband and at what speeds, and which communities have no broadband at all. Without this information, how can we come together to craft good solutions?

After mapping, Connect Kentucky then created local technology planning teams in every county in the state. Representatives of local businesses, health care providers, educators, librarians, community-based organizations, and telecom unions, among others, came together to develop technology plans for their region. In many instances, these teams were able to make a business case for accelerated private sector network investment. In high-cost rural areas, they helped providers apply for federal low-interest loans or grants to subsidize the costs of deployment.

Connect Kentucky also conducted market research to learn about other barriers to broadband use. They discovered that many low-income families cannot afford a computer, and

so they helped develop a No Child Left Offline program to provide free refurbished computers to low-income eighth grade students.

Connect Kentucky has proven to be a cost-effective, comprehensive model to promote broadband deployment, bringing together resources of the private and public sectors. Other states have initiated similar programs, including Ohio, West Virginia, and Tennessee. Last year, the U.S. House of Representatives unanimously passed legislation providing grants to states modeled after the ConnectKentucky program, and similar legislation is now pending in the Senate.

HB 1490 would put Pennsylvania at the forefront of this national movement to forge public-private partnerships to accelerate broadband deployment and penetration.

Conclusion

In conclusion, HB 1490 would promote video competition to lower prices and improve quality of video service. Most important, it would promote broadband deployment through a comprehensive strategy to engage the private and public sectors in a partnership to map infrastructure, facilitate community planning, and craft targeted solutions. The provisions in HB1490 are good for consumers, workers, and communities. CWA urges this Committee to move forward expeditiously on this legislation.