

From: [MECHAM Milo R](#)
To: [BOCrfc2015](#)
Subject: Comments on Broadband availability
Date: Thursday, June 11, 2015 6:59:10 PM
Attachments: [Merkley letter.pdf](#)
[Wyden letter.pdf](#)

Sirs: please accept the attached letter to the congressional delegation as a comment directed towards your questions about what could be done to improve broadband services.
Thank you.

Milo Mecham
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REGIONAL FIBER CONSORTIUM

Better Telecommunications Services for Rural Oregon

May 19, 2015

Senator Jeff Merkley
313 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Merkley:

Thank you for your attention to and support of the idea of expanding broadband services in the United States and in Oregon. Recently others at the national level have also turned their attention to the idea of expanding broadband. The Regional Fiber Consortium, which has some experience in the area of expanding broadband in rural Oregon, thought it appropriate to pass along some of what it has learned, thanks in part to the support you have provided.

The Regional Fiber Consortium is a collection of local governments in Douglas, Lane, and Klamath counties. The Consortium was originally formed during the dot com explosion of the late 1990s. During that time there were many companies constructing new fiber optic paths through the northwest. Because the local governments were approached for assistance in the construction and to negotiate franchises where the paths traveled through the jurisdictions, the local governments had the idea of forming a consortium to negotiate with the construction companies.

The result of these negotiations was a lease of dark fiber running through the jurisdictions, with access in each community (a benefit that the original construction plans did not include). Through agreements with several companies, the Consortium controls a fiber path running from Merrill in the southeast and from Coos Bay in the southwest through Eugene-Springfield and north to Portland. Gradually over the next decade and a half, the Consortium was able to make leases and to pull together the capital to light the fiber to bring broadband to rural Oregon.

It is the experience of doing that, both the frustrations and the successes that prompt this letter and the advice / requests that the Consortium would like to offer.

The single greatest success was the opportunity provided by the Recovery Act and its Broadband Technology Opportunities Program (BTOP). Thanks to BTOP the Consortium's leases of fiber went from a limited deployment of broadband opportunities to providing broadband services to 139 institutions in twenty four communities, including Myrtle Creek. The network that was installed has also provided the means to connect additional businesses, so that hundreds of jobs have been added throughout the region as a direct consequence of the BTOP project.

At the same time, the Consortium has been frustrated some of the same factors that led to the Consortium's creation and its extended dry period before the vital assistance of BTOP.

An ORS 190 Organization: Address c/o LCOG 859 Willamette St, Suite 500, Eugene, OR 97401 541-682-4023
Lane County Creswell Cottage Grove Drain Eugene Florence Klamath Falls Lowell Merrill Oakridge Springfield
Veneta Yoncalla

1. The large incumbents are unable to, or uninterested in developing true broadband, especially in rural areas. The Consortium's model is based on leasing fiber to telecommunications providers and having those providers operate the system. The Consortium has, despite several attempts, been unable to develop a relationship with the large incumbent providers. Recently, for example, the Consortium was seeking to improve broadband service to Westfir. Thanks to an earlier state mandated program Westfir has DSL service, but that service was run from Oakridge and is limited to approximately 25 customers. The DSL users in Westfir were frustrated because when they moved, they had to leave their DSL behind. No new resident of Westfir can get any service beyond the old fashioned dial up modem.

The Consortium reached out to CenturyLink to see if there were some options. The local CenturyLink representatives were responsive, but could not provide any help. The only solution they offered was the installation of another DSL system, at a cost that was prohibitive for a small town.

This pattern is repeated throughout the Consortium area. Even in the larger cities, where there are opportunities to purchase broadband, the prices from the two major providers are very high and the services are usually unsatisfactory. This is not intended to suggest that the incumbents are not interested in providing service where it is economical. However, they seem tied to their large investments in a legacy system that is not capable of providing broadband service. If there is a criticism of these large incumbents it is that they are not flexible enough to consider alternatives, such as partnering with the Consortium, where those alternatives mean a change in their approach to providing service.

2. The Consortium's model of working with smaller, competitive providers is limited by the lack of capital on both sides. As mentioned, the Consortium's model is to partner with private providers to bring broadband to communities. The Consortium has a program to reinvest any extra income that it has been able to accumulate back into the region for more broadband. But this is literally a one business at a time process. The small providers that the Consortium works with are also limited in their ability to expand by the difficulty of obtaining capital to expand.

3 Opportunities for economic and social development are being lost, especially in the rural areas. Broadband service is the new economic development infrastructure. In the same way as the prior examples of railroads and interstates, where these key infrastructures go through an area, economies prosper, where they are missing, economies struggle. Broadband is the interstate of the twenty-first century.

While there are several other historical examples of the importance of public support for infrastructure investments and the economic payoff that results – such as rural electrification, and support for rural telephone service – it is important to recognize that the lessons of those operations have to be updated, not simply replicated. Support for legacy systems, even “updates” to legacy systems has been available for some time, but the economies of rural areas seem to continue to shrink. Programs that take a different approach, such as BTOP, have, in the Consortium's experience, been more productive. Within the Consortium area, although not

focused on economic development, the infrastructure installed with BTOP funds has already spurred development. Two new businesses, employing over 200 people have opened in Veneta and Cottage Grove only because these cities had an infrastructure made possible by BTOP.

It is easier to describe the problem than it is to suggest solutions. There are many specific examples of the problems, there are fewer examples of successful steps to address the problems. Based on the Consortium's experience, we can propose the following as a worthwhile direction to consider.

1. Support local initiatives. The recent FCC ruling preempting state prohibitions on local initiatives is a positive step. Not all local governments will want to or will be able to take the initiative, but the experience in Oregon and around the nation is that these local initiatives make a difference. There are many smaller private providers as well, who are seeking an opportunity to grow. Local initiatives can provide a source of innovation and expansion of options not otherwise available. As long as programs focus on, or require the type of structure held by the legacy providers, local initiatives, whether public or private, are likely to be limited.

2. Support national investment in broadband infrastructure. The programs of the Recovery Act were a lesson in the successful application of federal and local strengths. The federal government has the resources and the understanding of the long term nature of these investments. Sixty years after the interstates were built, their economic benefit is still expanding, and it did not begin until many years after the investment was made. State and local governments know the conditions and opportunities on the ground and can best assess where the investments could strategically be applied.

3. The fewer strings on the money, the greater its usefulness will be. The Consortium is aware that there are some federal funds available, such as through the USDA Rural Development's Telecommunications loan program, and recently the FCC Broadband initiative, testing the use of universal service funds for broadband development. Unfortunately, from the Consortium's perspective, these funds also have limitations that make them less useful than the Consortium would like. We have already referred to the limitations of legacy system investments.

The Consortium is composed of local governments, so we know very well the responsibilities that go along with the expenditures of public funds. We recognize the countervailing pressures and the need for responsible use of funds. Therefore, there is no suggestion that funds be given away, even to local governments, without any checks. But recognizing the weaknesses of some of the current programs is also important.

Loan programs are valuable but are very limited in value by the character of the investment. The cost per mile of infrastructure construction does support a loan funded project in many rural areas, where the number of customers per mile are so few. It also takes many years before the investment begins to bear fruit, but loans have to be repaid on a set schedule. Loan repayment requirements drive the price per customer up. One idea that has worked well in other circumstances is the idea of a claw back: where a conditioned grant is made, and if the conditions are not met, then it becomes a loan.

Senator Merkley

May 19, 2015

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4. Congressional direction to the BPA would help the Pacific Northwest. The Bonneville Power Administration took a far sighted action more than a decade ago. When they installed fiber to support their electric distribution system, they installed some excess fiber, and a portion of this was reserved for public benefit use. This is good, and entities in Washington and Oregon have taken advantage of the availability of public benefit fiber to build a network throughout the state. In Oregon LS Networks is a good model of a successful use of this fiber to create a statewide network that now extends well beyond the original BPA system. But the cost of the BPA fiber is a drag on their ability to offer low cost service, and the cost for others is prohibitive.

The BPA's method of charging for the fiber is not wrong, it is also, however, not necessary, except that the BPA felt constrained by its congressional mandate to make the choices that it did. The Consortium, which did make an investment to gain access to its fiber that was somewhat analogous to the marginal investment that BPA made to install the additional fiber beyond its own needs, has made the decision that it will not seek market rates to recover the original investment. The Consortium has chosen to keep its lease rates low, to encourage use of the fiber for local broadband development. If the BPA took the same course it would benefit all of the Pacific Northwest.

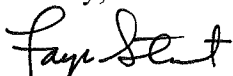
Conclusion

Once, again, thank you for your advocacy of and help with the idea of broadband development. The Consortium is aware of and grateful for your support for the BTOP program and the LCOG-Consortium application for funds. We also appreciate your involvement in and support of ongoing discussions about promoting broadband deployment.

The United States remains the place for innovation and ever greater speeds and capacity of broadband. But we remain behind in the distribution of broadband opportunities to our citizens. There are examples across the nation of how the United States can be an innovator in solutions to actually bring broadband to the people of the United States. We in the Regional Fiber Consortium hope that our experience, and the experience of state and local governments nationwide, taking the initiative themselves and working with innovators in the private sector, can help move the United States forward in this area.

If we can be of assistance, or provide more information, please do not hesitate to contact us.

Sincerely,



Faye Stewart, Chair
Regional Fiber Consortium

cc: District Office
Congressional Delegation
Broadband Opportunity Council (by email)

REGIONAL FIBER CONSORTIUM

Better Telecommunications Services for Rural Oregon

May 19, 2015

Senator Ron Wyden
221 Dirksen Senate Office Building
Washington, D.C. 20510-3703

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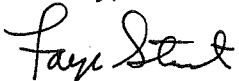
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Faye Stewart, Chair
Regional Fiber Consortium

cc: District Office
Congressional Delegation
Broadband Opportunity Council (by email)