Project Summary and Need. Clark Cablevision, Inc. respectfully requests funds for costs associated with the construction and delivery of broadband service to unserved areas in Pahrump, Nevada. The proposed project will extend broadband and other advanced telecommunications services to southern parts of Nye County, Nevada. This project will extend an existing hybrid fiber/coaxial cable television network, which will provide a cost effective solution to bring broadband into unserved areas, consistent with the aim of NTIA’s Broadband Technology Opportunities Program (BTOP) and the Federal Communication Commission’s National Broadband Strategy. Clark Cablevision, Inc., along with the backing and shared resources of Etan Industries, Inc., is requesting a $5.6 million BTOP last mile grant to expand its existing broadband/high speed Internet network to 8,311 unserved homes and 729 businesses in Pahrump, Nevada, a rapidly growing town of 39,352 residents. Clark Cablevision, Inc. has a formal commitment letter to demonstrate its cash contribution of $1.88M or 25% of the project funding. Applicant Qualifications. Etan Industries, Inc. is a Dallas, Texas based S corporation that shares common ownership with a number of cable television operating entities in Texas, Louisiana, Mississippi and Nevada. The trade name for these companies is CMA Communications (“CMA”). Clark Cablevision, Inc., the Applicant, owns and operates a cable television system in Pahrump, Nevada. Throughout this proposal, “CMA” will represent the consolidated resources of Etan Industries, Inc. assisting Clark Cablevision, Inc. CMA purchased the Pahrump cable television system in 2004. Since purchasing the assets out of bankruptcy, CMA has invested more than $3 million to build a state-of-the art hybrid fiber/coaxial network designed for continued growth. It currently delivers a robust 4 Mbps downstream and 512 kbps upstream high speed Internet service. Pahrump is located 65 miles west of Las Vegas. The region’s well-documented real estate ‘bust’ and corresponding economic downturn has had significant impact on the economic justification of subsequent construction. Given that CMA has built a viable, scalable and sustainable business in Pahrump providing service to over 1,100 high speed Internet customers, NTIA funding would allow CMA to quickly resume construction. Given the existing presence of dark fiber, CMA would begin to activate new nodes for residential, commercial and key anchor institutions within 60 days of receipt of funding. The project would be 95% complete within two years. As such, this proposed project fully supports the goals, aims and objectives of the American Recovery and Reinvestment Act of 2009 (ARRA) as well as the stated objectives outlined in NTIA’s BTOP program. Further, CMA’s management is known industry-wide for their expertise in introducing, marketing and managing high speed Internet products. All members of CMA’s key management team have been involved in CMA’s successful effort to drive Pahrump operations from bankruptcy to growth and sustainability.
internally fund a system upgrade designed to expand service coverage as well as increase the amount of advanced video, Internet and voice services. In Pahrump, there had been an absence of a full-scale cable television presence, so the residents have adopted direct broadcast satellite (DBS) service as their preferred video product. As such, for the Pahrump system, CMA’s business model has primarily focused on providing high speed Internet service. Prior to mid 2008, Pahrump was a rapidly growing community accounting for 83% of the population of Nye County. Nye County, at 18,064 square miles, is the third largest county in America, yet one of the least populated with less than two people per square mile. Between the 2000 census and a 2008 census update, Pahrump experienced a 59% population explosion, resulting in 5,961 new households. Up until 2004, when CMA acquired the Pahrump system, no broadband options were available in Pahrump. To date, AT&T has only introduced DSL in a small area in competition with current CMA operations and has no known plans to offer service beyond their existing central office locations or into CMA’s proposed funded service area. Another competitor, Key On Communications, offers expensive and sporadic wireless service in portions of CMA’s proposed funded service area, but fails to meet the NOFA’s definition of broadband by offering services of up to only 128 kbps upstream. By early 2008, CMA was successful with its Pahrump upgrade. More than 6,600 homes were capable of receiving high speed Internet service and 14.8% of the homes in the current service area chose to subscribe to CMA’s services. Revenue Generating Units (a measure of combined cable, internet and phone performance) had increased by 240% since purchase and the Pahrump system proved to be a sustainable cash flow positive investment with a strong local community presence and a popular office location. Unfortunately, the early success of the Pahrump system was challenged as the economy took a turn for the worse. By mid 2008, Pahrump real estate growth stopped. Anticipated and planned new construction ceased, and unemployment spiked to 14% - where it remains today. Given Pahrump’s rapid and dramatic downturn, CMA no longer was able to financially justify continued construction of its Pahrump system with internal funds. Further, availability of external funds ceased. While the current business is profitable and sustainable today, continued construction simply is not financially viable, given the lack of new home construction, declining population and increased unemployment. But for the federal grant assistance, this project would not be implemented. Proposed Services. CMA’s high speed Internet product will be consistent with the current product offering and deliver 4 Mbps downstream with 512 kbps upstream. The product is priced at $35.95 per month and requires no contract, forced bundling or expensive one-time installation fee. This product represents Pahrump’s best overall broadband choice. CMA also offers different tiered options for customers seeking lower speed (512k/256k) as well as for heavier users, home/office users and commercial accounts. CMA is well positioned to immediately resume construction for this shovel ready project, having already built a system that extends 155 miles in Pahrump. All key management, local personnel and contractors are in place to begin building an additional 300 plant miles. Furthermore, as an existing and sustainable business, this project is considered scalable. Network design and diagrams are largely complete and necessary franchises, pole attachment agreements as well as other permits are in place. A large DS3 circuit was installed in early August in anticipation of handling more data bandwidth and traffic. Proposed Funded Service Area. CMA has identified a proposed funded service area that encompasses populated areas of Census Tracts 98041.1 through 9804.6. This proposed funded service area includes complete construction of 902 Census Blocks. Based on limited competition presence, CMA defined this project to be a BTOP last mile effort in an unserved area. CMA proposes to construct service
to 8,311 residential homes, 729 commercial locations and 34 key anchor institutions. Potential work with Desert View Regional Medical Center and Nye County School district would yield significant impact to the community, and CMA management has experience and history in developing customized broadband solutions for medical and educational facilities. CMA’s network design has prioritized construction of these key anchor institutions. Based on subscriber penetration rates within existing CMA nodes, CMA conservatively estimates approximately 25% of homes in the proposed funded service area to subscribe to some level of service. Having access to a larger percentage of Pahrump would assist in overall sales and marketing efforts. Completion of this project would yield over 2,100 new residential high speed Internet subscribers in Pahrump. Also, CMA expects significant success in the largely untapped commercial market with data and voice solutions to small and medium sized area businesses. Non-discrimination and Interconnection. Clark Cablevision, Inc. will comply with the Federal Communications Commission’s Internet Policy statement, will publish network management policies on its website, and will offer interconnection consistent with the guidelines on the Notice of Funds Availability. Further, Clark Cablevision, Inc. is staffed and internally prepared to handle additional reporting and regulatory scrutiny in light of acceptance of the grant funds, and is willing to adopt mandatory arbitration conditions. Job Creation. Consistent with the aim of the ARRA and NTIA/BTOP program, this project will provide both short and long term job creation. Our contract construction partner, CableWorks Inc., has estimated that nine, two-person construction crews, three, three-person fiber crews, and six fiber optic installers would be required for the this project. Additionally, at least two construction supervisors would be on site. Our project plan will employ as many as thirty-five construction-related positions over the next eighteen months. CMA will need to increase internal staffing as well – likely hiring two additional customer service representatives and two additional installers in conjunction with the availability of new homes to market. Plus, multiple direct sales crews for residential and commercial efforts would be required in conjunction with the proposed build schedule. Clark Cablevision is in a unique position to bring broadband service and jobs to many people in Pahrump.