Testimony to the Senate Communications & Technology Committee
Hearing to Discuss Improving Access to High-Speed Broadband Internet

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Chairman Phillips-Hill, Members of the Senate, staffers and guests, thank you for inviting me to deliver testimony today regarding high-speed broadband access in our Pennsylvania communities. I have twice previously appeared before this committee on the same subject, and I am pleased to be back again.

I have been working on technology policy issues for more than twenty years, first as an advisor to Governor Tom Ridge, then as a consultant to a small company in Harrisburg and now as the owner of Dellicker Strategies, a technology services firm based in the Lehigh Valley. Since 2005, Dellicker Strategies has been helping schools, hospitals, businesses and government organizations enhance their digital infrastructure. One of our core competencies is high-speed broadband, and we have improved access for 2,000 organizations in five states, arranging $265 million in upgraded service contracts.

Broadband policy interests me because it impacts my profession and the communities where I live, but it fascinates me because it is such a study of contradictions. The core problems with broadband policy are straightforward and simple, yet many proposed solutions are convoluted and complex. And, we keep searching for new and different ways to address the issue while proven solutions are right before us.

Let's start with the main problem. Almost all the broadband challenges we face are the result of basic telecom economics: it costs more to serve people who live in rural communities than in urban centers. That's because a single strand of telecom wire in the city can serve a lot more people than the same strand of wire in the country. If this main point is not addressed, any broadband policy is doomed to fail.

Yet, we see all kinds of efforts focused on superfluous issues. At the top of the list are the so-called "public benefit broadband" projects. They come in many different shapes and sizes, but they all are characterized by extensive government involvement in the ownership or operations of local telecom networks. I am not aware of any that have met expectations in Pennsylvania or across the country.

These projects are based on the tantalizing but misguided notion that new public nonprofits can do a better job of delivering broadband access to underserved areas than established private companies. Often, this derives from a reactionary viewpoint that portrays private telecom providers as the enemy. But if experienced telecom providers cannot deliver services despite the profit motive, inexperienced public officials are unlikely to do better out of the goodness of their hearts or the goading of political bosses.

Unfortunately, the idea of public benefit broadband is pervasive in Pennsylvania despite the lack of successful examples and remains an alluring temptation to ill-informed elected officials. Often, these initiatives are packaged with questionable financing schemes that make it seem like taxpayers are getting their new networks for free. They are not free. Nor are they effective. Setting up unwitting bureaucrats to run telecom networks without addressing the underlying problem makes these projects doomed to fail.

I'm equally puzzled by efforts to subsidize the telecom providers directly, granting them millions of dollars to build new networks that they own and operate themselves. Generally, giving taxpayer money to private companies is a bad idea; that's why we call it corporate welfare. Gifting public money to certain telecom companies to undercut their privately funded rivals is an appalling affront to free enterprise.

Private financial markets provide ample opportunities for entrepreneurial companies to build new broadband networks. They don't need public handouts. Government programs that give grants directly to telecom companies often create negative market distortions, rarely help the most qualified providers and often promote companies that consumers don't want to use. Such programs should be avoided.

Fortunately, there is a better way: demand aggregation. It's straightforward to implement, doesn't cost much and has a successful track-record. It works by focusing on the core problem of telecom economics.

Demand aggregation works by organizing multiple buyers into purchasing consortia, issuing competitive procurements for the bundled packages and selecting the best regional vendors to deliver the service. Consumers get faster bandwidth for lower prices. Providers get higher revenues and more customers. And communities get new infrastructure and better service through a fair process. It's a win-win-win scenario.

Demand aggregation is effective. My company has led seventy-five such projects over 14 years and each one achieved the goal of faster service for lower prices. Most recently, we helped 700 public organizations across New Jersey increase Internet bandwidth by 155 percent while reducing their costs by 58 percent. All the services are delivered by reputable private companies without any public subsidies.

We've done similar projects across Pennsylvania, with a special focus on hard-to-serve areas. Last year, we helped 14 school districts expand average Internet access to 869 megabits per second while reducing their costs by $162,000. Compared to their previous service, they got 16 times more bandwidth for 42 percent less money. And, they did it Cameron, Elk, Potter and McKean counties, the most rural part the state. If we can get gigabit service there, we can get it anywhere. Again, there were no grants involved.

If the state does want to provide extra funding to accelerate adoption of high-speed broadband, they have two successful models to emulate: The Broadband Outreach and Aggregation Fund and the E-Fund. Both were authorized by Act 183 of 2004. They expired several years ago and were not replaced.

The Broadband Outreach and Aggregation Fund was a modest program of about $5 million that helped local communities organize their own demand aggregation projects. My company was involved with several of these initiatives, working with groups of buyers as diverse as coal mines in Somerset County and colleges in Scranton-Wilkes-Barre. We did a project in Monroe County that helped the local hospital connect 10 regional clinics to their main healthcare network. It was an incredibly cost-effective program.

The E-Fund took the concept a step further. It allocated $60 million to the winners of school demand aggregation projects. Districts would organize the projects, oversee the procurements and select the vendors, who built new infrastructure with the help of the E-Fund. Ultimately, almost every district in the state participated, with 621 schools achieving 224 percent more bandwidth for 25 percent less costs.

Neither the E-Fund nor the Broadband Outreach and Aggregation Fund were financed with taxpayer money. They were part of a negotiated solution that delivered regulatory relief to providers in exchange for creating new financing mechanisms for buyers and communities, another win-win-win scenario.

With strong local leadership, significant community participation and meaningful vendor engagement, demand aggregation works almost every time. As this committee considers policies to improve broadband access, I urge you to consider the most simple, proven and affordable approach: demand aggregation.

Sincerely,