

# New Broadband Thinking

States are starting to fund broadband deployments in rural and other disadvantaged areas. Providers can benefit from this development – as long as they're open-minded.

By Steven S. Ross / *Broadband Communities*

Over the past year, states have earmarked serious money for broadband deployments as they seek to provide 21st-century infrastructure in support of job creation, schools, health care, emergency response and other services. My ongoing studies, published in this magazine, have shown that this is vitally necessary to stem rural population losses.

Each state that has raised significant funds for broadband has chosen a different approach. Kentucky will contract with Macquarie Capital to raise around \$300 million – maybe more – for a middle-mile build that should make local fiber-to-the-home builds more economically viable, and it will supplement that private investment with \$30 million in state bonds and \$15 to \$20 million in federal grants. Massachusetts is providing \$40 million to help 45 of the state's towns build their own broadband. New York put \$500 million on the table and hopes deployers in underserved or unserved areas can match that to generate \$1 billion in new broadband network building.

Some community broadband activists worry that these funds will go to large network deployers to subsidize construction of networks they might have built anyway. Major Internet service providers may indeed receive subsidies because they already have infrastructure in underserved areas. They may have wired small communities' cores but ignored outlying areas. A new competitor might have to start from scratch and spend more.

**Community Toolkit Program  
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financial models.

Co-ops and other locally owned providers tend to be more egalitarian in rural areas, but their business plans are brittle, and many have already suffered as the Universal Service Fund is repurposed by the Federal Communications Commission for broadband access and away from voice service.

This conflict was highlighted in a panel chaired by Joanne Hovis of CLIC and CTC Technology & Energy at the New York State Broadband Summit in June. Charlie Williams, VP for government relations at Time Warner Cable, complained about the possibility of the state's subsidizing the company's competitors. Brian Ford, regulatory counsel at the National Telephone Cooperative Association, cited several examples of rural telcos hurt by changing rules for subsidies.

When government policies, customer

needs or deployment technologies change, providers may indeed get hurt. However, all rural providers can benefit if they agree to share the new infrastructure. Studies have shown that sharing generates the most profit to carriers and the most benefit to customers and communities.

Under current business thinking, this will not happen. When I asked Williams and Ford about the possibility of telcos and cable companies sharing infrastructure, they both replied that the policy is not to share.

New broadband thinking is called for. Open-access technology is easy. A single fiber can share dozens of providers' signals, and modern fiber networks have amazing real-time diagnostic and maintenance tools that make sharing realistic.

An incumbent provider limits its revenues by selling poor service at a high price, with a low take rate, to

## Sharing access networks is a largely untapped source of profit for service providers.

a small number of customers in one corner of a rural county. Often, it would do better by taking advantage of a new, faster, more versatile network that reaches far more customers – a network it could rent rather than pay for up front. Providers would gain by splitting their marketing costs and local overhead among more potential customers even while enduring competitors.

Rather than offer an overpriced product to 500 dissatisfied customers, a provider could offer multiple services, aggregating to a higher average monthly bill, to three or four times the number of customers and get half the

overall take rate – one likely to be 70 or 80 percent or more.

Of course, the exact recipe for an open-access business plan varies with every community. But the cookbook already exists. Many flavors of open access have been baked into network deployments around the country and around the world.

Time for a taste. The idea that infrastructure can't be shared is just too bitter. Unserved and underserved communities should not continue to go hungry. ❖

Contact the Hawk at [steve@bbcmag.com](mailto:steve@bbcmag.com).

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