



STATEMENT OF AT&T CONNECTICUT

Regarding Proposed Senate Bill No. 847 AN ACT CONCERNING THE COMMISSION FOR TECHNOLOGY ADVANCEMENT

Before the Committee on Planning and Development
March 11, 2013

Proposal:

The legislation does a number of things, including replacing the Commission for Educational Technology with the Commission for Technology Advancement, changing the mission and governance structure of the previous agency and enlarging the types and number of entities allowed to use the so-called "Nutmeg Network" to include municipalities and other entities and allowing the state to charge rates for such services.

Comments:

AT&T respectfully opposes language in lines 52-56 which would enlarge the types of entities which could use the Nutmeg Network and allow the state to charge entities for providing such connectivity.

While we very much understand and agree with the goal of increasing broadband connectivity, we do not believe that a state subsidized and operated network which competes with private sector providers offering the same services is the best way to accomplish that goal and, in fact, such an approach can be harmful to taxpayers and the private sector alike.

Building, operating and maintaining modern broadband networks is a complex and expensive undertaking. Component life cycles grow ever shorter while the demands on network providers by users for ever more bandwidth continues to grow nearly unabated. This complexity and expense are two of the primary reasons why there has been so much consolidation in the private sector by broadband network operators as smaller operators find that they lack the scale, scope and resources to meet the demands of their customers and must find merger partners that can provide them such resources.

Government owned network (GON) operators have experienced these very same issues – often to the detriment of taxpayers. A failing GON in the state of Utah is costing taxpayers tens of millions of dollars a year in interest payments alone and all told will leave taxpayers owing some \$500 million in interest expense. Worse still is that the network has never come close to meeting its objectives with respect to providing promised connectivity to residents. Here in Connecticut, the town of Groton recently sold its GON network after it lost over \$10.5 million in just four years and while the sale, for only \$150,000 will stop continuing operating losses, taxpayers are left owing \$28 million in bonding expense. Expanding the Nutmeg Network to allow new entities to use it is a continuation of a risky strategy which has failed time and time again throughout the country.

GONs like the Nutmeg Network are not required to follow any of the regulations or rules which apply to private sector operators with whom they compete and provides for an unfair competitive advantage. For example, GONs typically use tax free financing for their construction costs and are not required to even follow basic certificate and licensing requirements before being allowed to provide service. In addition, they use taxpayer money to subsidize in whole or in part the cost of their services and do not even charge taxes on their services which the law requires their competitors to levy. At a minimum, should the Committee consider moving forward with such legislation, it should include language which helps to level the playing field among GONs and private sector providers; we would welcome the opportunity to work with the Committee towards that end.

The language in the bill allows the state to charge “reasonable rates” for providing services yet that term is undefined and vague. Like the level playing field language discussed above, we would urge the Committee to look at substituting the “reasonable rate” language with language that requires a competitive basis thereby ensuring that the Nutmeg Network could not simply use its status and position as a government owned and financed entity to undercut current providers in the market.

Lastly, while we do not agree with the premise of enlarging the types of entities which can use this network to include municipalities, we would suggest that in the absence of striking such language entirely, the Committee look to otherwise limit the parties that might be allowed to join this state-owned network to exclude “other parties.” As currently constructed, this legislation would allow anyone to join this network; understanding the genesis of this network as something meant to service the interests of schools; we do not believe opening this network to anyone who might be interested is in the interest of taxpayers, is necessary to serve any unfulfilled need, or is good public policy.

Conclusion:

AT&T respectfully opposes the language in lines 52-56 of the legislation and would welcome the opportunity to work with the Committee to amend it.