



Statement of AT&T Corp
Regarding Raised House Bill No. 5636
AN ACT CONCERNING MUNICIPAL TAXING DISTRICTS, THE SALES TAX,
THE APPRENTICESHIP TAX CREDIT, CERTAIN FEES AND THE TAX CREDIT
REPORT.
Before the Committee on Finance, Revenue and Bonding
March 22, 2016

Proposal:

Section One of the Raised Bill would allow special taxing districts established under C.G.S. Section 7-325 to plan, lay out, acquire, construct, maintain, operate and regulate a community broadband system.

Comments:

AT&T appreciates the opportunity to provide comment on the Raised Bill and while we very much support efforts to foster private sector investment in high-speed Internet networks, we oppose proposals such as that enumerated in the Raised Bill which would allow for the construction of government-owned and operated high-speed Internet networks where privately-owned high-speed Internet networks already exist.

Connecticut's Position – A World Leader:

Connecticut is already a national leader when it comes to high-speed Internet access and adoption as a result of significant ongoing investments by cable companies, wired telecommunications carriers and wireless providers.

Consider the following:

- According to the Federal Communications Commission, Connecticut ranks 2nd in the nation among states for its Internet speeds. This high-speed Internet mapping tool, developed by the National Telecommunications and Information Agency in conjunction with the FCC, allows users to rank geographic areas by various factors including speed: <http://www.broadbandmap.gov/analyze>.
- Wired telecommunications companies have invested significant resources into the state and routinely provision gigabit and higher speed services to customers upon their request.
- Each of the four largest wireless providers in the state have deployed 4G LTE service throughout Connecticut and today provide wireless high-speed Internet speeds which would surpass most wired high-speed Internet connections available only a few short years ago. Wireless high-speed Internet technology is only expected to improve as providers, including AT&T, have begun technology trials of 5G service to offer gigabit speeds to its customers.
http://about.att.com/story/unveils_5g_roadmap_including_trials.html

- Cable companies have deployed their fastest and most cutting-edge networks throughout the state which today typically reach speeds of up to 500 Mbps to consumers and up to 10 gigabits per second to businesses. In addition, both Comcast and Atlantic Broadband have announced plans to start offering Internet speeds in excess of one gigabit to their residential customers throughout their service areas starting this year.

Massive On-Going Private-Sector Investment:

The growing availability of broadband and faster speeds are the result of massive on-going investments by private sector providers. According to a June 2013 report “Four Years of Broadband Growth” from the White House’s Office of Science and Technology Policy & the National Economic Council:

“Responding to the increasing consumer demand for services accessed through broadband, the private sector has been driving important advances in infrastructure and technology. U.S. telecommunications firms have made significant investments in infrastructure; for example, just two of the largest U.S. telecommunications companies account for greater combined stateside investment than the top five oil/gas companies, and nearly four times more than the big three auto companies combined. In fact, since President Obama took office in early 2009, nearly \$250 billion in private capital has been invested in U.S. wired and wireless broadband networks. In just the last two years, more high-speed fiber cables have been laid in the United States than in any similar period since 2000. Moreover, during President Obama’s first term, the annual investment in U.S. wireless networks alone grew more than 40 percent from \$21 billion to \$30 billion. Projections for 2013 estimate an annual wireless network investment at \$35 billion.”

http://www.whitehouse.gov/sites/default/files/broadband_report_final.pdf

AT&T has invested more than \$100 billion in the United States in just the last five years – more than any other U.S. company. And in the last three years alone, AT&T invested nearly \$750 million in just the state of Connecticut.

The Raised Bill is Unnecessary, Risky and Will Chill Private Sector Investment:

Private sector high-speed Internet providers are already offering the services that consumers and businesses want on a very broad basis in the state of Connecticut and their offerings are only expected to increase and improve in the short-term.

High-speed Internet networks are complex, complicated undertakings which require expertise, scale, scope and on-going investments which no Connecticut municipality, let alone a small taxing district within a city or town, could reasonably be expected to successfully undertake. There are numerous examples of municipalities across the country that have tried and failed in their efforts to provide broadband service. One case in point is the City of Groton, Connecticut, which issued some \$30 million in local bonds to construct a broadband network that ultimately was shuttered and sold for pennies on the dollar,

leaving the city's taxpayers responsible for paying the millions of dollars in interest costs for years to come.

Municipal taxing districts were originally established to provide services within defined geographic areas of cities and towns where the local governments could not provide those services; for example, to clean streets and empty trash in downtown central business districts. While these special districts were very narrowly designed to fill gaps in services provided by local governments, the changes proposed by the Raised Bill go much further. There is no service gap here; rather, the Raised Bill would allow these districts to offer services in the same locations where the same services are already being offered by the private sector. That is a massively different and distinct mission than the purpose for which these districts were originally conceived.

Using tax dollars to construct and operate a municipal broadband network in competition with the private sector will also have the perverse effect of dissuading and driving out additional private sector investment in broadband. Rather than "solving" a need, the bill will actually create a problem where one does not even exist today by shunning investment in the very technologies and services which the bill is intended to bring about.

The Role for Policymakers:

As the committee considers what affirmative steps to take, if any, to further aid in the deployment of gigabit and other high-speed Internet networks, we would urge that focus and attention be paid to two areas: increasing high-speed Internet adoption and eliminating rules and other barriers which impede further private sector investment.

Despite the widespread availability of high speed Internet, some 21 percent of Connecticut households do not subscribe to high-speed Internet service even though it is available. Nationally, more than 50 percent of those who have available access but who do not subscribe report that they have no interest or need to access the Internet. Adoption rates differ among races, age groups, income levels and level of education. Clearly there are real benefits that can be gained from high-speed Internet access, but there is a large percentage of the population that either does not understand or believe that to be the case. While the private sector is best suited to expand high-speed Internet access, state and local governments are particularly well-suited to design and execute high-speed Internet education and awareness campaigns which will spur greater high-speed Internet adoption.

State and local governments are also well positioned to eliminate or at least mitigate bureaucratic delays and additional costs of deployment that inhibit investment, increase time to deploy, and reduce the overall pool of capital investment. For example, fiber deployments typically require the installation of cabinets and other structures on or near the public right-of-way. Eliminating permitting fees, speeding permit approvals, and allowing for the use of municipal property for cabinets are all steps that will aid in enhanced deployment and a decrease in the costs of infrastructure. Or consider the costs of wireless deployments where, for example, the "soft costs" of constructing a new tower site can easily approach \$250,000 and can take years of review prior to approval. Finally, tax policy also plays a role as companies consider the costs of deployment over the long-term and

weigh the relative costs in one jurisdiction versus another. Connecticut, for example, levies the highest personal property taxes on telecommunications companies of almost any state in the country.

Conclusion:

Connecticut is a national leader when it comes to high-speed Internet availability and adoption as a result of on-going private sector investment. To further boost high-speed Internet availability, the state can help to encourage greater adoption and take other steps to spur further investment by the private sector. However, the language in the Raised Bill will discourage further private sector high-speed Internet investment and put the interests of taxpayers at risk with no legitimate need to do so.