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SENATE COMMUNICATIONS & TECHNOLOGY COMMITTEE

INFORMATIONAL HEARING

"ADVANCED BROADBAND SERVICES – WHAT'S NEXT?"

APRIL 1, 2009

TESTIMONY OF STEVEN J. SAMARA

PRESIDENT

PENNSYLVANIA TELEPHONE ASSOCIATION

Good Morning Chairman Folmer, Chairman Wozniak, and members of the committee. On behalf of the 35 rural local exchange carrier members of the Pennsylvania Telephone Association, I thank you for this opportunity to share some of the advancements which your constituent companies have been making in the Commonwealth.

First, a little bit about the rural telephone companies in this state.

They range in size from less than 1,000 access lines to over 350,000. Some have been around for over 100 years. All of them have committed to universally deploy broadband service in Pennsylvania by a date certain.

They all face the challenges of increased competition, continued regulation, decreasing access lines, a less than favorable tax environment, and now, a challenging economy.

Somehow, through all of these negative dynamics, your rural local telephone companies have performed quite admirably under the most progressive broadband deployment statute in the country.

Of course I am referring to Act 183 which the General Assembly passed in 2004.

The act requires ILECs to deploy a 1.544 mbps network throughout Pennsylvania by a date certain. That date for the majority of my members was December 31, 2008. For Embarq and Windstream, that date is 12/31/2013, and for Verizon its 12/31/2015. However, as you will see shortly, those companies are well ahead of their deployment schedules.

In exchange for this extraordinary commitment from Pennsylvania's ILECs, a new regulatory paradigm was put in place which was intended to free these companies from monopoly-era regulation, consequently making us more like our unregulated competitors. That freedom is still being fought for by my members on many fronts and I look forward to working with all of you on that matter going forward.

You are to be commended for passing the most progressive broadband deployment statute in the nation. Virtually every day we hear about

programs with catchy names, touting public-private partnerships, or leveraging funding from a variety of sources to achieve universal deployment and close the “digital divide.” The Pennsylvania General Assembly, through Act 183, has done more than any state in the nation to address this problem.

Broadband Deployment

There are several factors to keep in mind when we analyze the universal broadband deployment requirements of Act 183.

First, broadband deployment is very labor/capital intensive.

Second, it is very expensive. The PTA member companies have spent more than \$300 million dollars in meeting the universal build-out mandates of the Act.

Finally, universal broadband deployment is not yet a great business model. That fact can be easily discerned by analyzing the “take rates” for broadband services offered by Pennsylvania’s ILECs. They range anywhere from single digits to almost 50 percent. The “build it and they

will come” theory does not translate well into the broadband telephony environment.

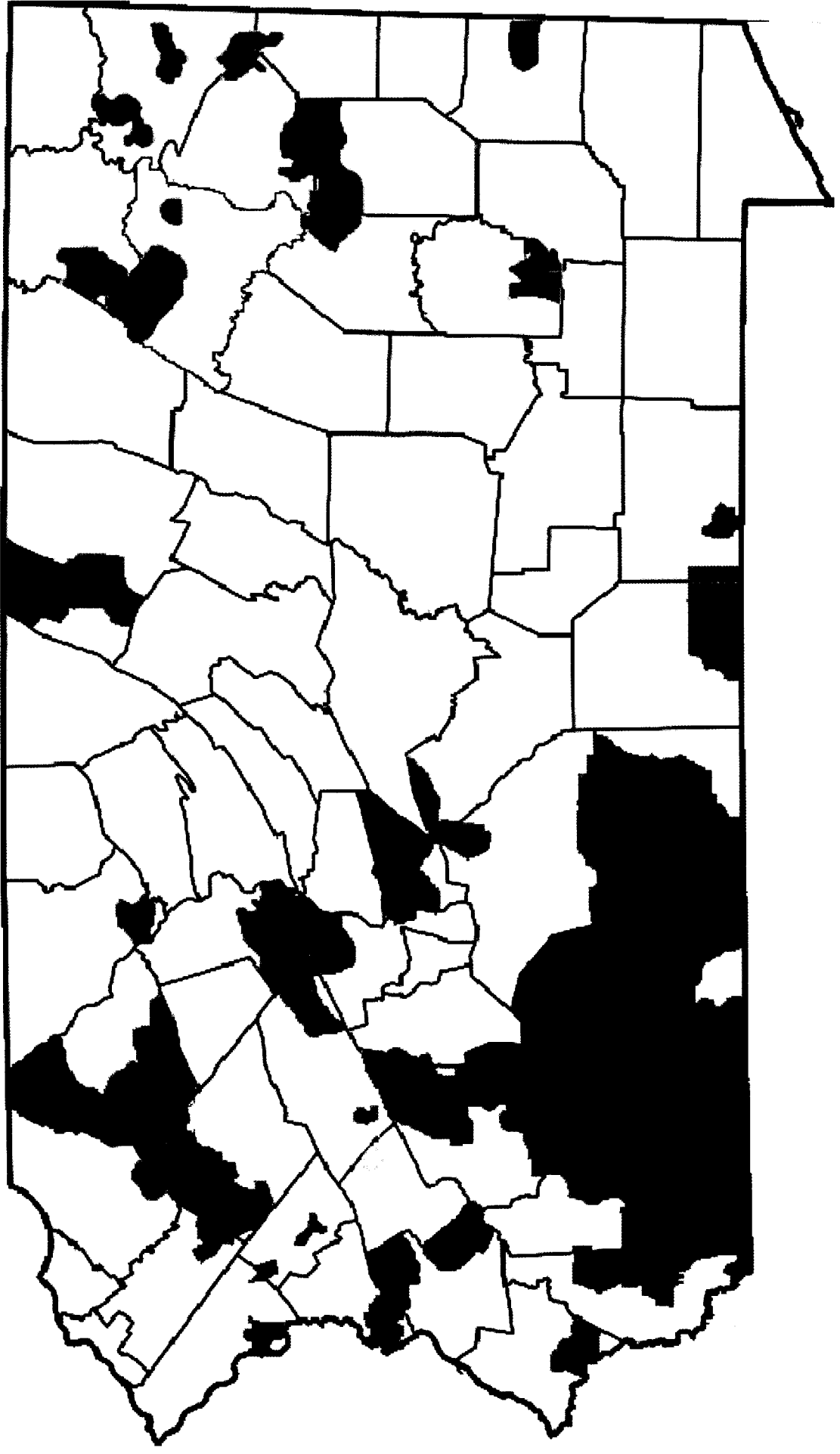
We are working very hard to alter that dynamic because it is our duty as responsible business people to aggressively market our services.

The Pennsylvania Public Utility Commission has also undertaken efforts to educate consumers regarding the benefits of advanced telephony services and I understand that some of the federal stimulus money may be targeted to education campaigns.

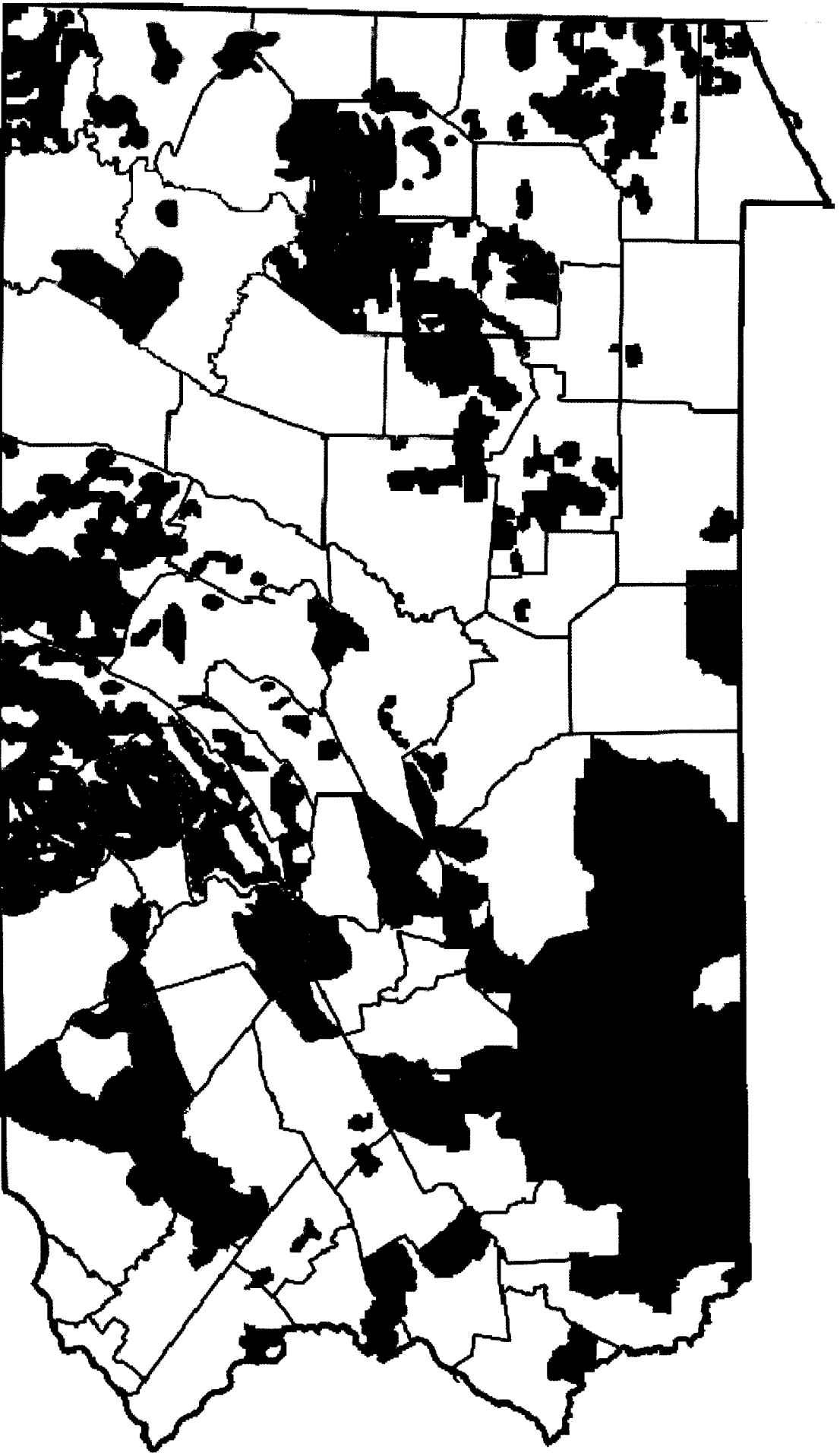
Chairman Folmer suggested that perhaps a graphic display of broadband deployment would be of benefit to the committee. Consequently the following pages have a depiction of broadband deployment by companies who have committed to universal deployment by 2008, 2013 and 2015.

Mr. Chairman, members of the committee, thank you again for this opportunity and I am happy to answer any questions which you may have.

2008 Companies



2013 Companies



2015 Companies

