

Senate Energy and Telecommunications Committee
SB 308—restrict government competition in telecommunications
Hearing: February 21, 2013

Comments of the Montana Telecommunications Association

U.S. Agriculture Secretary Tom Vilsack met with FCC Chairman Julius Genachowski last week to discuss the importance of vibrant broadband telecommunications capabilities in rural America. A USDA letter summarizing the meeting notes, "The economic stability of rural America depends on the availability of a resilient and robust utility infrastructure capable of delivering advanced services to consumers in rural high cost areas. Rural-based industries that produce food, energy, manufactured goods and other services consumed across the country rely on broadband, often provided by [USDA's] Rural Utility Service borrowers, to remain globally competitive. The U.S. agriculture sector is one such example, [having] maintained a trade surplus for at least 20 years. As U.S. farmers increasingly rely on advanced telecommunications to support their work on the farm, affordability and sustainability of broadband is imperative to maintain [our competitive advantage]."

Sec. Vilsack effectively summarizes the reason that MITS and MTA drafted SB 308. Rural economic vitality increasingly relies on a robust, advanced telecommunications infrastructure.

Montana's private telecom providers have invested billions of dollars in infrastructure over the years. Their annual capital expenditure exceeds \$100 million, and they have deployed over 20,000 miles of fiber optic facilities in Montana, employing over one thousand Montanans.

Rural telecom providers are facing a number of regulatory challenges which have created instability and unpredictability in their investment plans. Adding to this

instability is the prospect of taxpayer-funded telecommunications projects that threaten to overbuild or displace privately-funded investments.

MTA testified at nearly every meeting of the Interim Select Committee on Efficiency in Government to express our concerns about the Northern Tier Network and other potential projects which appear to be intended to remove traffic from private networks and move it over to state or federally funded telecom backbone networks.

Moreover, the Montana University System has sent several signals that they intended to use federal and state tax dollars not only to carry their own traffic, but to extend their networks to serve so-called "community anchor institutions," such as schools, libraries, state and local government, health care institutions and other large telecom consumers. In fact, the University of Montana already had "invested" \$579,000 in a federally funded health care network presumably to carry university traffic.

Overbuilding existing network infrastructure, and then reaching even further to serve anchor institutions not only constitutes wasteful use of public resources, but it increases cost of investment and decreases return on investment for private companies which have borrowed millions of dollars and need to pay off their obligations. The result of government competition of course is less investment in telecom network infrastructure, and higher prices for consumers who remain on the private network.

Thus, MTA and MITS drafted legislation to erect firewalls around the university system and the state to prevent them from overbuilding private infrastructure and providing services to the public.



It turns out that the Legislature is limited in its constitutional authority over the university system. And, SB 308 raised a number of concerns regarding the state's ability to provide current services to various clients.

So in a meeting with the state information technology services division yesterday, we agreed to put SB 308 on hold for this session.

But despite the fate of SB 308, this bill raises a number of issues that remain relevant, including how to maintain and promote investment in advanced telecommunications services in a competitive, high-cost rural ecosystem; promotion of public private partnerships; public safety communications, and other interconnected issues. In this regard, MTA would like to work with Sen. Olson and the Energy & Telecom Committee to keep these issues on the front burner during the Interim.

Again, I want to thank Sen. Olson for carrying SB 308 and Ron Baldwin, State CIO, for opening a dialogue which I am optimistic will lead to a more productive relationship between the state and private telecommunications providers.

