

Comments of the South Carolina Cable Television Association to the Broadband Study Committee – October 4, 2007

The South Carolina Cable Television Association appreciates the opportunity to make this presentation to the Broadband Study Committee. Following is information which SCCTA has compiled about cable broadband availability as well as issues which SCCTA believes that the Committee should consider.

Cable Broadband Deployment

SCCTA has asked all of its members for information on their deployment of broadband. The larger companies have all responded; some of the smaller cable companies have not responded. The companies responding have facilities which “pass” 1,638,686 homes and businesses in South Carolina. Of those homes and businesses, 1,620,138, or 98.8%, have broadband availability. According to US Census data there were 1,927,864 housing units in South Carolina in 2005. This number is not a direct comparison since the cable passings include some businesses. However, cable companies have traditionally focused their business on the residential market and we think that the vast majority of the potential customers included in the numbers we have provided are residential. We think it is reasonable for the Committee to conclude that at least 80% of South Carolina households are currently offered broadband by a cable provider.

We are not able to give the Committee specific and precise information on the location of places where there is no cable broadband being offered. In addition to the fact that some of the smaller companies did not respond, specific information as to locations where broadband has not yet been deployed is considered confidential and proprietary by the cable companies. Notwithstanding our inability to produce precise information, it is possible for the Committee to reach conclusions about the areas where cable broadband is not available. The business model consistently employed by the cable industry over the years has focused on density as the primary criterion for determining whether and where to build cable systems. The least populated areas of the state are very likely to be the areas which are not served by cable systems. It is likely that the 20% of South Carolina households which are classified as most rural are those which are not served by cable systems.

SCCTA Opposes Government Entry into the Broadband Business

The General Assembly has, over the last decade, passed legislation intended to encourage the development of competition for telecommunications and cable television services. That legislation has been largely successful and the private companies providing those services have invested hundreds of millions of dollars to improve their systems to offer advanced services to customers in South Carolina. That investment has led to the rapid deployment of broadband across most of the state with the prospect of continued deployment into more rural areas as competition increases. There is a viable and highly

competitive market for broadband in this state and it would be inappropriate for government to enter this competitive market.

SCCTA Does Not Oppose the Leasing of Excess EBS Capacity But Urges the Committee to Take Steps to See That It Is Leased at Market Rates

SCCTA understands that there is state-owned excess capacity in certain EBS licenses held by SCETV. We also understand that this spectrum can be leased for use by private companies which want to provide Wi-Max broadband services in this state. SCCTA members are facing competition from Wi-Max providers in other states and are prepared to face that competition in this state as well. We have no objection to additional competition and do not ask this Committee for any protection from competition. However, we do not believe that it is good policy for certain participants in a competitive market to be unfairly supported or subsidized by government action. To prevent possible subsidy to the companies which may lease the excess EBS spectrum it is important that the spectrum be leased at fair market value. SCCTA believes that the Committee should consider recommending the retention of a consultant who is knowledgeable about these matters. That person could advise and assist in the process of leasing the excess capacity with the goal of obtaining fair market value for the use of this state asset.

The Committee Should Investigate the Issue of Whether Wi-Max Will Deliver Broadband to Remote Rural Areas

There seems to be an assumption that a Wi-Max system could quickly deliver wireless broadband to every area of South Carolina, no matter how remote. While SCCTA does not have the expertise of the Wi-Max providers, we are uncertain that this assumption is well founded. We believe that the Committee should hear from potential Wi-Max providers on the question of whether Wi-Max is the answer to broadband deployment in areas which are unserved today.

Enhancing Cable Broadband Deployment

One way that the Committee could improve the deployment of cable broadband in South Carolina would be to recommend the removal of impediments to cable companies providing telephone service in rural areas of the state. As discussed above, cable companies must project profitable operations before their systems can be extended into new areas. To the extent that cable companies can provide video, broadband and telephone services to a new area the business case is enhanced and it is easier to justify the capital expenditures necessary to extend service to that new area. In some rural areas of South Carolina cable companies have been blocked from offering telephone service. That fact slows broadband deployment by cable operators.

The Issue of Broadband Access Should Not be Limited to Geographic Concerns

SCCTA urges the Committee to consider a broader assessment of broadband deployment issues. While the question of what geographic areas are unserved or underserved is an important one, it may be even more important to focus on socio-economic and educational barriers to broadband availability. Many South Carolina residents live in areas where broadband is technically available yet they are not able to, or do not choose to, subscribe to a broadband service. These issues should be considered by the Committee.

The SCCTA appreciates the opportunity to address the Committee and we look forward to continuing to work with you to address the important issues that you have been asked to consider.