

Senate Rural Georgia Study Committee

Dahlonega, GA

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Testimony of J Berkshire

President of Windstream Operations in Georgia

Introduction and Background

Chairman Lucas and members of the Senate Rural Georgia Study Committee, my name is J Berkshire and I am president of Windstream Operations in Georgia. Thank you for the opportunity to speak to you today, and for your commitment to the future of Georgia's rural communities.

Windstream is not a typical communications provider, so I would like to give you a little background about our company before I move to the substance of my remarks.

Essentially, we operate two businesses.

On the one hand, we operate a nationwide network, as shown on Slide 2, and compete with local telephone companies like AT&T, cable companies and fiber companies to provide voice and next-generation cloud services to businesses, healthcare providers, educational institutions and government agencies in metropolitan areas across the country.

On the other hand, we too are a local telephone company, serving residential and small and mid-market businesses predominantly in rural areas across 18 states, including Georgia, as shown on Slide 3. These two businesses are very different, but they support each other and our strength as a company depends upon the success of both.

In Georgia, we employ more than 1,300 telecommunications professionals and serve 149 exchanges in the state through our local telephone operations. As you can see on the map, our exchanges tend to be smaller communities that include very rural outlying areas.

We have deep roots in Georgia that predate the creation of the Internet, and for many years we took pride in delivering voice services that connected rural communities to the outside world. When the Internet captured the public's interest, we made a decision to add Internet access to the services we offered our customers.

Back then, of course, the service was dial-up, and we were honored to be the first and only provider to extend access to most rural communities in our service area.

I know the committee members understand this, but I want to note again for the record: Windstream does not have, and never has had, a legal monopoly for Internet access. In rural

areas where there is no competition, it's because no other provider is willing to invest to reach a small number of widely scattered customers. In areas where providers can reasonably expect to make a return on their investment, we face competition every day.

That said, even in rural areas where no other provider wants to do business, Windstream has continued year after year to invest to expand and upgrade Internet access as customer demand has grown dramatically.

What Windstream Has Done

Let's take a closer look at what we've done with that investment, which totals more than \$300 million since 2014.

Slide 4 highlights five key components of the effort to increase our network capacity.

First, we pushed fiber deeper into the network and enhanced the front-line electronic nodes that serve individual neighborhoods. To give you a sense of the scope of the work, our Georgia team has made 9,500 augments supporting 2,300 nodes since 2013. Augments include everything from installing fiber to placing new nodes to upgrading the internal components of existing nodes.

Second, we invested \$19 million in 2015 and 2016 to increase the capacity of the next level of our network. In technical terms, this is our packet optical network. It carries broadband traffic from communities like Dahlonega to network aggregation points in Commerce, Dalton, Fitzgerald and Winder, and the upgrade here involved adding diverse 100 Gigabit links. In effect, we built new freeways to ensure that our customers' broadband traffic flows smoothly to Atlanta and then out onto the Internet that exists beyond our state.

Third, once these enhancements were complete, we began upgrading eligible customers to Internet speeds of 25 megabits per second or more across Georgia, giving them an improved experience that will easily accommodate multiple devices simultaneously and bandwidth-intensive services like streaming video.

Fourth, we announced plans to upgrade our cable television network in North Georgia to deliver up to 100 meg to more than 67,000 households by the end of 2017. As a result, that 100 meg service is already available in Blairsville, Hiawassee and Young Harris, and yesterday it launched in Helen. This is noteworthy because we didn't offer broadband service through our cable TV network previously. We were able to make this enhancement because the cost to deploy the technology has continued to go down.

And fifth, we began deploying 1 gigabit service in 2016 to select areas in more than a dozen communities across Georgia.

I want to note that those last two projects – the cable TV broadband upgrades and the gigabit deployments – were funded entirely with Windstream's own capital.

We have proudly participated in the federal government's Connect America Fund program to expand broadband access in high-cost rural areas. But there are some misconceptions about the program that I would like to clear up. First, for each federal dollar that Windstream receives, the company spends about ten to maintain and expand our network in Georgia. Second, the Connect America Fund wasn't designed to reach every rural American, and it won't. There simply isn't enough money in the fund.

Now, turning to Slide 5, we can see the results of the work Windstream has done in Georgia. This slide shows the change in available speeds from December 2013 to July 2017. About 740,000 homes and businesses in Georgia are within reach of Windstream's broadband network today. The segment of those locations with access to download speeds of 10 meg or more has increased from 45 percent in December 2013 to 83 percent today. Even more noteworthy, the segment with access to 20 meg or more has increased from 13 percent to almost 55 percent.

I would like to add that the results are actually better than this chart indicates because the slide does not include the 100-meg service enabled by our cable TV upgrade.

I also want to stress that our work is not done. Customer demand for broadband service is only going to continue to grow, and Windstream will continue to invest in our network to provide faster speeds and more reliable service to more customers.

How the State Can Help

That said, we all know there are challenges. Rural broadband is expensive to deploy because there are too few customers scattered over too many miles for providers to earn a reasonable return on their investment.

Turning to Slide 6, Windstream believes public-private partnerships can help speed the deployment of broadband to the most rural and expensive to serve areas. We recommend that Georgia consider establishing a broadband grant fund that specifically targets unserved and/or underserved areas.

Such a fund should be open to all providers and all technologies. For example, in Nebraska, more than \$50 million has been used for projects to construct or upgrade existing broadband facilities across the state since 2008. With those funds, the Nebraska Public Service Commission has approved 138 broadband projects as well as three adoption programs in 2016. The impact of such a program in Georgia could be tremendous.

Whatever the state ultimately decides, I would like to encourage you to work with existing providers like Windstream who provide hundreds of local jobs and who have the expertise and the network assets to most efficiently expand rural access to broadband.

I would also like to assure you that my statewide team and I take very seriously our obligations to the communities we serve in Georgia. We look forward to working cooperatively with the state on this important issue. We live and work in rural Georgia, and we are committed to ensuring our communities are great places to live with strong, growing economies.

Thank you, committee members, for your time.

