Privatizing the Public Trust: A Critical Look At Connected Nation

A Report Issued By: Public Knowledge

Common Cause

The Media and Democracy Coalition

Reclaim the Media

March 23, 2009

Introduction

As a result of the passage and signing of the new stimulus legislation, there is now up to \$350 million available to map the deployment of broadband services across the country. The data collected as a result of this effort will be one of the important factors in the national broadband strategy plan the law directed the Federal Communications Commission (FCC) to construct.

Across the country, states have already begun their own efforts to determine where broadband service is being offered and have already allocated millions of dollars to the effort. As a general matter, trying to figure out the lay of the land is a productive exercise. However, there is a great danger that the process of data collection and, as a result, the national broadband map and plan, will be harmed by an organization known as Connected Nation.

In order to be effective, a national broadband data-collection and mapping exercise should be conducted by a government agency, on behalf of the public, with as granular a degree of information as possible and be totally transparent so that underlying information can be evaluated.

Connected Nation is none of those and represents none of those characteristics. It is an organization sponsored by the telephone and cable companies and represents their interests in deciding what data to collect and how information should be displayed. They are quite up front about their company sponsorship and, in fact, believe it is an asset, if in a way counter to solid public policy.

It would be a setback for our broadband policy if Connected Nation were to take a prominent role in broadband mapping and data collection if it continues on its present policy course because the organization does not represent wise public policy and because it distorts its results. Kentucky Gov. Steve Beshear (D) was correct in April, 2008, when he vetoed a \$2.4 million appropriation for Connect Kentucky, which until then had received almost \$7 million from the commonwealth. Beshear said that the program was being rejected for state financing because it had asked for funds "without specifically identifying any services to be rendered to the state or providing for any oversight, control or performance measures relative to the services being rendered."

Connected Nation Represents Bad Public Policy

Connected Nation is not a neutral broker in broadband information. It is run by, and boasts of its connections to, telephone and cable companies. Yet, it accepts public funds in the millions of dollars to conduct a public function—mapping of broadband.

The end result is a project from Connected Nation which, instead of reflecting neutral information on which good public policy can be based, instead represents only the information that the most interested of parties wants reported.

Quite simply, Connected Nation's strategy is to accept public funds for collecting information from its sponsors which is then kept largely private, hidden behind strict non-disclosure agreements (NDA). This privatized function is a violation of the public trust.

It was through the lobbying of Connected Nation that legislation (S. 1492) requiring broadband mapping has such restrictive terms that allow the companies involved, not the government, to determine which information should be made public and would best serve the public interest. It is at Connected Nation's insistence that it, and its state-level operations, such as Connect Tennessee or Connect Ohio, insist on keeping much of the information they collect hidden from public review. The original Connect Kentucky was also a lobbyist on behalf of telephone companies for pro-industry, anti-consumer legislation.

Let's take a look at the Connect <u>Board of Directors</u>. There are 12 outside directors, eight of which are directly in the orbit of network operators. They are not small players.

- James W. Cicconi AT&T senior executive vice president-external and legislative affairs
- Steve Largent CTIA The Wireless Association president and CEO
- Joseph W. Waz Comcast senior vice president, external affairs and public policy counsel
- Larry Cohen Communications Workers of America president. CWA is in frequent agreement with telecom companies on policy issues.
- Thomas J. Tauke Verizon executive vice president for public affairs, policy and communication
- Walter B. McCormick United States Telecom Association president
- Kyle E. McSlarrow National Cable and Telecommunications Association president
- Grant Seiffert Telecommunications Industry Association president. (The members are the equipment makers who sell their gear to the telecom industry.)

These individuals, and others, are listed as "national advisors" on the Connected Nation Web site. They are listed as "directors" in their filing with the Kentucky Secretary of State.

As the Kentucky Public Service Commission told the FCC:

"As often recognized by public policy makers across the country, specific private business interests are not always consistent, or even compatible, with broader public interests. The Kentucky Commission believes a sound and honest public policy initiative to promote broadband deployment must anticipate and account for such discrepancies. In going forward with this national broadband mapping collection effort, which the Kentucky Commission supports, the Kentucky

Commission petitions the FCC to remain diligent in keeping consumer interests at the forefront of this endeavor."

The PSC recommended that any data mapping information be verified independently from its source. That's a good suggestion, and it runs counter to the philosophy of Connected Nation. Instead, CN relies on very strict non-disclosure agreements to limit what can be done with the data it collects. In North Carolina, the NDA requires that the maps and web sites used to show broadband coverage "may not differentiate between general broadband service types (such as DSL, cable, fixed wireless, BPS and others) and may not, at a pinpoint, address level, identify broadband Providers at a given location." (The agreement also stipulates that any information collected remains the property of AT&T, and can be returned or destroyed at any time.) The NDA attached to this report was used by AT&T to collect information on behalf of the Connect North America organization it sponsors.

This clause in the agreement means that the broadband maps produced by Connected Nation or its franchise operations around the country simply show that a company has some service on some street. For consumers or policymakers, there may be no indication of what the technology is, at what speed, or at what price. If the carriers have their way, there never will.

The American Public Power Association, in a 2008 resolution, observed that CN "is 'public' only in the sense that it receives taxpayer money from the state [Kentucky] government; its activities are purely private."

Indeed, Connected Nation will go to great lengths to keep its information collected from its supporters shielded from public view. It argues that only because of its close connections with telecom carriers does a state get any information at all. As one CN official told a gathering of state utility commission staff about whether states could decline to work with carriers or even do the mapping themselves:

"The question would go to provider cooperation in this process. And unless there is legislation that passes in the individual states that mandates the collection of this information, there is [sic] a lot of things that can happen that the provider community might not want to participate. They may not want to provide [the information]. It is not just as easy as the states utilizing the resources they have; there is the other consideration to consider, and that is provider participation in the process. It may be, and I am not saying that this is good or bad, and providers definitely do not definitely want to provide their proprietary information to a state agency, that [carriers] could tie this up in the courts for a while, too. And that is something that would have to play itself out."

Indeed, in North Carolina, a Connected franchise is working to duplicate work being done by a state agency, the e-NC authority, which attempts to compile its own maps from information supplied by carriers and from its own estimates. The Connect North Carolina operation, run by AT&T, supplies information to itself that it would not supply to the state.

The maps compiled by Connect are inadequate and inaccurate. It is some times hard to discern which definition fits at any given moment. There is a distinct lack of useful information on the maps, such as what data speeds are being offered at what price at any given location.

Indeed, the basic information on the maps, that service of whatever type is available, is open to question because CN, rather than collect granular information by door-to-door canvass, assumes that every spot within a range of a cell tower or telephone company wire center is being served. That is not the case. And it can take dozens of steps and clicks through the cumbersome map interface to reach the inadequate or inaccurate information.

In sum, as a group of municipal utilities told FCC Commissioner Copps in July, 2008, "Broadband data must be collected and delivered in a transparent, verifiable manner. The CK/CN model doesn't do that: Data is collected, interpreted and reported by a private non-profit entity and shielded from government and public input, oversight and verification."

Connected Nation's Achievements Are Overstated

Before state governments hand the reins of policymaking to Connected Nation and their corporate backers, they should ask the basic question: Does the Connected Nation program actually work? That is, do the millions of taxpayer dollars spent by Connected Nation actually impact broadband deployment or adoption beyond what would have occurred otherwise?

Despite the state and Federal embrace of the Connected Nation model as the ideal approach to promoting broadband deployment and adoption, there is absolutely no proof whatsoever that their program actually produces positive benefits, whether from outside evaluators or from Connected Nation itself.

One outside study, "Closing the Rural Broadband Gap," done by Michigan State University (available at https://www.msu..edu/~larose/ruralbb), examined four rural counties that received broadband deployment grants from the USDA. This study found that one of the four counties, Pike County Kentucky, "registered the strongest gains among older adults and those with less than a high school education compared to the other three counties." The study attributed the changes to "a possible impact of the Connect Kentucky initiative targeting disadvantaged populations in that state," and then generalized the conclusion to the rest of the state.

If the study can only point to one of Kentucky's 120 counties in which CK accomplished its goal, then the organization's claims of success are open to challenge. In addition, there could be any number of external factors involved, which the study did not attempt to account for. For example, in two of the four counties studied, the USDA grants were awarded to non-traditional wireless ISPs, while the grant recipient in the third county went out of business. Only in the fourth county—Pike County Kentucky—did the grant go to an established provider, South East Telephone Company. Thus, the changes observed by the researchers are likely due to the impact of the USDA funding and South East Telephone Company's own efforts, and not the result of the Connect project. Merely citing the "possible impact" of Connect Kentucky without proper controls and without considering alternative causes is not rigorous economic analysis.

The organization's only claims of success are contained in a single "study" that is so flawed it has been characterized as committing "methodological malpractice" in an Aug. 4, 2008 filing at the Commission by Consumers Union, Consumer Federation of America, Free Press, and Public Knowledge. And this "study" comes from a group that blatantly attempted in its comments to the Commission to hijack the FCC's data collection and mapping proposals and replace them with their own, industry-governed and supported, mechanisms.

The Connected Nation study from February 2008 claims "Kentucky's broadband adoption rate is higher than the national trends due to Connected Nation's first statewide broadband expansion program, Connect Kentucky." However, the methodology used to support this claim is fatally flawed. Unfortunately, several press outlets have uncritically repeated the results of this bogus study, leading to the false impression that the Connected Nation model has been proven a success.

Connected Nation could have conducted a proper programmatic evaluation using established and accepted quasi-experimental techniques. But it did not. Instead the group chose an analytical approach that would easily be recognized as flawed by a first year statistics student. The entire claim for success is based on the fact that between 2005 and 2007 the broadband adoption

growth rate was 83 percent in Kentucky versus 57 percent for the U.S. as a whole. That is, in 2005 (according to surveys conducted by Connect Kentucky) approximately 24 percent of Kentucky homes subscribed to broadband, which had increased to 44 percent by 2007 -- a "growth rate" of 83 percent. At the same time the national broadband adoption level (according to surveys by the Pew Internet and American Life Project) went from 30 percent to 47 percent -- a "growth rate" of 57 percent.

From this, Connected Nation claims that if "the national growth rate between 2005 and 2007 were applied to the 2005 Kentucky baseline (24%), then Kentucky's expected statewide adoption in 2007 would be 37%. However, Kentucky's broadband adoption percentage is actually 44% in 2007, which represents 297,000 more subscribers above the expected adoption rate. The intervening factor has been Connect Kentucky" (emphasis added).

But there is a major flaw in this approach, one of such gravity that it is hard to see how an organization of Connected Nation's supposed professional caliber could make innocently.

The flaw lies in the comparison of "growth rates" of an initially low performing state against the national average. It should be obvious that improvement by a subject with a low performing metric almost always results in greater percentage (not percentage *point*) gains when compared to improvements made by a subject that starts with a higher performing metric. This is especially true when comparing the improvement of a low performing state with the average improvement of all states.

The national rate average is just that—an average of all states, both low and high performing. It is composed of many states that already had high broadband penetration in 2005, and thus didn't have much room to improve to 2007. It would certainly be expected that the national rate of improvement to be somewhat lower than the rate of improvement of some of the lower ranking states -- simply because they had more room to improve. Indeed, using Form 477 data to examine changes in broadband penetration over the 2002 to 2006 reveals that the states with the highest percentage change in broadband penetration were the worst performing states in 2002, and their percentage improvement were far higher than the national average.

The nationwide improvement over this period was 179 percent. Kentucky, which was ranked 50th in penetration in 2002 improved 544 percent; but Montana (ranked 49th in 2002), which had no mapping program intervention had a 568 percent improvement. Alaska had the lowest improvement over this period (97 percent), but was also ranked 3rd in penetration in 2002. Simply stated, a big percentage improvement by a low performing state is unremarkable, especially compared to the nationwide average improvement.

When examining an entity (such as a state or nation) that is maturing towards a saturation point (such as technology adoption), those with lower adoption rates almost always have larger percent increases in growth over time, when compared to entities that begin with higher adoption rates. To illustrate this, consider the following example: According to the U.S. Census Bureau, the percent of urban homes subscribing to broadband went from 11 percent in 2001 to 54 percent in 2007, a 400 percent (not percentage point) increase. During this same time, the percentage of rural homes with broadband went from 6 percent to 39 percent, a 555 percent increase. Also during this time the national household level broadband adoption rate went from 10 percent to 51 percent, a 430 percent increase.

Thus, if we are to measure broadband success using the Connected Nation standard, the rural areas of the United States are greatly outperforming the "national average" and greatly outperforming the urban areas. By the same logic, America should seek to emulate the broadband policies of nations like Turkey and Greece, who experienced infinite percent increases in broadband adoption since 2001 (because in 2001, these countries had no broadband at all, and percentage growth from zero is by definition and infinite percent increase). No one of credibility would make such claims, but it is the exact methodological basis that underlies the "proof" of Connected Nation's success.

These examples indicate is that the percent change (not percentage point change) in broadband adoption is a completely meaningless statistic.

Connected Nation has continued to make these bogus claims despite critiques of their underlying methodology. In comments to the Federal Communications Commission (urging the Commission to not collect its own broadband data) Connected Nation boasts of the success of the Connected Tennessee program, stating "[i]n just the first six months of the Connected Tennessee program, home broadband adoption has doubled the national growth rate. Rural areas have seen the most significant increases [in growth rate], as home broadband adoption increased by 37% over a six-month period." It is frankly embarrassing that the group would make such a statement; because we certainly would expect the rural areas to have the most significant percentage increases in adoption -- precisely because rural areas start from the lowest levels of adoption.

If Connected Nation really desired to conduct a proper evaluation of their program they should compare (using accepted quasi-experimental program evaluation techniques) the change in performance of a state where they have intervened to the change in performance of other similar states (in terms of initial broadband adoption and other relevant characteristics) that had no such program. It is telling that Connected Nation has avoided conducting or commissioning such an evaluation, despite having the reason and resources to do so.

But even if we ignore for the moment the bogus nature of Connected Nation's data, we must focus on the possibility that outside forces other than the non-profit's are responsible for changes in Kentucky and Tennessee. In their comments, Connected Nation states "Kentucky increased from an estimated 60% of households passed in the state of Kentucky prior to the beginning of the program, to 95% at the end of 2007."

FCC data indicates that the percent of ILEC lines that were DSL-capable in the state of Kentucky went from 60 percent in June of 2005 to 87 percent in June of 2007. But in December of 2006, as a part of its consent decree to merge with BellSouth, AT&T committed to 100 percent DSL availability in the entire BellSouth territory. Thus, it is quite possible that much of the improvements seen in Kentucky and Tennessee (former Bell South territory) are due to AT&T's commitments, and not to Connected Nation's mapping and demand stimulation efforts.

Additional Resources

- 1. North Carolina Non-Disclosure Agreement
- 2. Kentucky Public Service Commission Comments
- 3. Kentucky Municipal Utility Comments
- 4. Kentucky Municipal Utility Ex Parte Filing
- 5. Reported stories and links

http://www.publicknowledge.org/node/1334

Connect Kentucky Provides Uncertain Model for Federal Legislation – Jan. 9, 2008 http://www.publicknowledge.org/node/1334

Connect Kentucky Update: Broadband Tax Plan Ditched – Feb. 4, 2008http://www.publicknowledge.org/node/1334 http://www.publicknowledge.org/node/1382

Connect Kentucky Disconnected at Home – April 14, 2008 http://www.publicknowledge.org/node/1521

Connected Nation's Private Interests Hit in FCC Comments – July 24, 2008 http://www.publicknowledge.org/node/1675

Connected Nation Takes Aim At Stimulus Broadband Mapping; Rural Areas Could Be Hurt – Feb. 17, 2009 http://www.publicknowledge.org/node/1998

Virginia Uses Self-Help Program for Rural Broadband – Feb. 20, 2009 http://www.publicknowledge.org/node/2003

Chicago Tribune: \$7.2 billion plan to wire rural America holds promise, pitfalls http://www.chicagotribune.com/news/chi-wired-for-webfeb22,0,4823241.story

Column from Charlotte Observer: A Blind Curve on the Information Highway – Feb. 20, 2009 http://www.charlotteobserver.com/346/story/548379.html Coverage from IndyWeek, Durham, N.C. Stories by Fiona Morgan

State Lawmakers Debate Using Industry-backed Info on Broadband Access – Feb. 4, 2009 http://www.indyweek.com/gyrobase/Content?oid=oid%3A279831

Building a Better Broadband Map – Feb. 5, 2009 http://www.indyweek.com/gyrobase/Content?oid=oid%3A280381

Telecom Industry Brings Connected Nation to North Carolina – Dec. 31, 2008 http://www.indyweek.com/gyrobase/Content?oid=oid%3A272764

Article by Drew Clark of Broadband Census.com

http://arstechnica.com/tech-policy/news/2009/02/infrastructure-investment-decisions-need-transparency.ars

6. Connected Nation affiliates (as listed on Web site)

http://www.connectednation.com/Connected Tennessee

ConnectKentucky

Connect Minnesota

Connect Ohio

Connect South Carolina

Connect West Virginia

http://www.connectednation.com/state programs/eCommunity Strategies.php

NO.510

NONDISCLOSURE AGREEMENT

THIS NONDISCLOSURE AGREEMENT (herein the "Agreement") is dated and effective as of July 14, 2008 BellSouth between Date"), Telecommunications, Inc., d/b/a AT&T North Carolina (AT&T-NC) and the e-NC Authority, located at 4021 Carya Drive, Raleigh, NC 27610.

WHEREAS:

- I. The Parties (AT&T-NC and e-NC Authority) seek to cooperate in the sharing of information concerning the availability of broadband services within certain areas of North Carolina; and,
- II. In furtherance of that goal, e-NC Authority desires to use and include general representations of confidential, proprietary information belonging to AT&T-NC in maps, charts, narratives and interactive websites identifying broadband service providers in a given area; and,
- III. AT&T-NC agrees to share this confidential and proprietary information with e-NC Authority under the confidential and limited use conditions of this Agreement.

NOW THEREFORE, IN FULL CONSIDERATION of the mutual promises, covenants and obligations contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged by the Parties, the Parties agree as follows:

ACKNOWLEDGEMENTS

e-NC Authority acknowledges that it may receive, from or on behalf of AT&T-NC or its Affiliates, certain information (including trade secret information as that term is defined under the Trade Secrets Protection Act, Article 24 of Chapter 66 of the General Statutes) considered by AT&T-NC to be confidential, valuable and proprietary, for the purposes set forth in this Agreement (the "Project"). "Affiliates" means any company owned in whole or in part, now or in the future, by AT&T-NC, or any company that is a direct or indirect subsidiary of AT&T-NC under common control of a common parent.

- Confidential Information is limited to that information defined as confidential under the N.C. Public Records Act; N.C. Gen. Stat. § 132-1 et. seq. or other applicable law. Such information may include trade secrets defined by N.C. Gen. Stat. §66-152 and other information exempted from the Public Records Act pursuant to N.C. Gen. Stat. §132-1.2. By marking or identifying any information as "confidential," AT&T warrants that it has formed a good faith opinion, having received such necessary or proper review by counsel or other knowledgeable advisors, that the portions marked or identified as confidential meet the requirements of the Statutes set forth above.
- 3) Such information includes, but is not limited to, technical, financial, marketing, staffing, business plans and information, strategic information, proposals, requests for proposals, specifications, drawings, prices, costs, customer information, procedures, proposed products, processes, business systems, software programs, techniques, services and like information of, or provided by a Party and/or its Affiliates, or any of (collectively party suppliers third "Information"). Information exchanged by the Parties before execution of this Agreement and in connection with the Project is also subject to the terms of this Agreement.
- All confidential Information provided by AT&T-4) NC or its Affiliates to the e-NC Authority may be used in furtherance of the purposes stated herein as determined by e-NC Authority, limited by the following conditions:
 - specific, proprietary AT&T-NC's a) That information will be kept confidential and not become public pursuant to the terms of this Agreement;
 - b) That any maps, charts, narratives or interactive displaying broadband coverage websites proprietary AT&T-NC's using prepared information will be based upon and reflect comparable information regarding deployment from other broadband providers in the given area, including DSL, cable, fixed wireless, and

- others, to be included as that additional provider coverage data becomes available; and
- c) That the maps, charts, narratives or interactive websites displaying broadband coverage will reflect the availability of broadband services in locations throughout a given area and may not differentiate between general broadband service types (such as DSL, cable, fixed wireless, BPL and others), and may not, at a pinpoint, address level, identify broadband Providers at a given location.

TERMS

- e-NC Authority will protect Information provided to it from any use, distribution or disclosure except as permitted herein.
- e-NC Authority will use Information solely in connection with the Project and for no other purpose and will restrict access to the Information to e-NC Authority personnel who:
 - i) Have a substantive need to know such information in connection with the Project;
 - ii) Have been advised of the confidential and proprietary nature of such Information; andiii)
- c) Information provided to e-NC Authority in written or other tangible or electronic form will be marked with a confidential and proprietary notice. Confidential Information in verbal form, must be designated or identified as confidential (or like designation) at the time of disclosure and in a written notice to e-NC (which notice shall include a brief, non-confidential statement stating the subject of the disclosure), delivered to e-NC within ten (10) business days following such disclosure. In addition, any information provided to, or received by e-NC Authority that is by its nature and content reasonably confidential distinguishable as the proprietary information of AT&T-NC but is not specifically marked or orally designated as confidential and proprietary by AT&T-NC, will be treated as information subject to the obligations of this agreement.
- d) AT&T-NC's Information does not include:
 - i) Any information AT&T-NC publicly discloses;

- Any information AT&T-NC in writing authorizes e-NC Authority to disclose without restriction;
- iii) Any information e-NC Authority already lawfully knows at the time AT&T-NC disclosed it to e-NC Authority, without an obligation to keep it confidential;
- iv) Any information e-NC Authority lawfully obtains from any source other than AT&T-NC, provided that such source lawfully disclosed such information; or
- v) Any information, narratives, maps, interactive websites, drawings, exhibits or other Intellectual Property e-NC Authority independently creates as a compilation of industry data with or without reference to AT&T-NC's Information.
- e) E-NC has no authority to determine whether AT&T-NC's Information is public or not. E-NC may serve as custodian of AT&T-NC's Information and not as an arbiter of claims against AT&T-NC's assertion of confidentiality. If an action is brought pursuant to N.C. Gen. Stat. §132-9 to compel E-NC to disclose information marked confidential, AT&T-NC agrees that it may, at e-NC's option, intervene in the action through e-NC counsel and participate in defending E-NC, including any public If AT&T-NC official(s) or employee(s). participates in the action, AT&T-NC agrees that it shall hold E-NC and any official(s) and individual(s) harmless from any and all damages, costs, and reasonable attorneys' fees awarded against E-NC in the action. E-NC agrees to promptly notify AT&T-NC in writing of any action seeking to compel the disclosure of AT&T-NC's Confidential Information. shall have the right, at e-NC's option and expense, to participate in the defense of the action through e-NC's counsel. E-NC shall have no liability to AT&T-NC with respect to the Confidential AT&T-NC's disclosure of Information ordered by a court of competent jurisdiction pursuant to N.C. Gen. Stat. §132-9 or other applicable law.
 - f) If e-NC Authority is required to provide Information to any court or government agency pursuant to written court order, subpoena,

regulation or process of law, it must first provide AT&T-NC with prompt written notice of such requirement and cooperate with AT&T-NC to appropriately protect against or limit the scope of such disclosure. To the fullest extent permitted by law, e-NC Authority will continue to protect as confidential and proprietary all information disclosed by AT&T-NC in response to a written court order, subpoena, regulation or process of law.

- g) e-NC Authority may make tangible or electronic copies and notes of Information only as necessary for use as authorized herein. All tangible or electronic copies or notes must be marked with the same confidential and proprietary notice as appears on the original; and all other markings such as copyright, trademark or other such notices.
- h) All Information remains at all times AT&T-NC's property. Upon AT&T-NC's request, all or any requested portion of the specific Information will be promptly returned to it or destroyed, and e-NC Authority will provide AT&T-NC with written certification stating that such information has been returned or destroyed.
- i) e-NC Authority may identify AT&T-NC, its Affiliates and any other owner of information protected under this Agreement in reasonable advertising, promotional materials, press releases, and other public disclosure as contributing internet service providers, provided no specific data covered by the terms of this Agreement is revealed. No license under any trademark, patent, copyright, trade secret or other intellectual property right is either granted or implied by disclosure of information to e-NC Authority.
- j) The term of this Agreement and e-NC Authority's obligations hereunder commence on the Effective Date and extend with regard to all Information until five (5) years after the date of final provision of AT&T-NC of Information hereunder. Thereafter, e-NC Authority's obligations hereunder survive and continue in effect with respect to any Information that is a trade secret under applicable law.
- k) This Agreement is not a commitment by AT&T-NC to enter into any transaction or business

- relationship with e-NC Authority, nor is it an inducement for e-NC Authority to spend funds or resources. No such agreement will be binding unless and until stated in a writing signed by both parties. All information is provided to e-NC Authority 'as is,' and AT&T-NC makes no warranties or representations with respect to its content, accuracy or completeness.
- No forbearance, failure or delay by AT&T-NC in exercising any right, power or privilege is waiver thereof, nor does any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege.
- m) If and to the extent any provision of this Agreement is held invalid or unenforceable, all other provisions of this agreement shall remain in full force and effect to the fullest extent permitted by law.
- n) This Agreement is binding upon and inures to the benefit of the parties and their heirs, executors, legal and personal representatives, successors and assigns, as the case may be.
- o) This Agreement shall be deemed to have been made in and shall be governed by and construed in accordance with the laws of the State of North Carolina, without regard to choice of law provisions. The place of this Agreement, its situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or in tort, relating to its validity, construction, interpretation and enforcement Vendor agrees and shall be determined. submits, solely for matters relating to this Agreement, to the jurisdiction of the courts of the State of North Carolina, and stipulates that the State Courts in Wake County shall be the proper venue for all matters.
- p) This Agreement is the entire agreement between the parties hereunder and may not be modified or amended except by a written instrument signed by both parties. Each party has read this Agreement, understands it and agrees to be bound by its terms and conditions. There are no understandings or representations with respect to the subject matter hereof, express or implied, that are not stated herein. Each party represents

that its undersigned representative has the authority to execute this Agreement.

(THIS SPACE DELIBERATELY LEFT BLANK)

IN WITNESS WHEREOF, the parties have seen and agreed to this Nondisclosure Agreement as evidenced by the signatures of the parties' authorized representatives below:

BELLSOUTH

TELECOMMUNICATIONS, INC.:

Ву:

(Authorized Signature

(Print or

Title: <u>EYEC DIRECTOR-ELTERNAL+</u>
LEGISLATIVE AFFAIRS

e-NC AUTHORITY:

By:

(Anthorized Signature)

Jane_Smith_Patterson__

Name:

Title:_ __Executive_Director____

Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	
Development of Nationwide Broadband Data to)	WC Docket No. 07-38
Evaluate Reasonable and Timely Deployment of)	
Advanced Services to All Americans, Improvement)	
Of Wireless Broadband Subscribership Data, and)	
Development of Data on Interconnected Voice over)	
Internet Protocol (VoIP) Subscribership)	

THE KENTUCKY PUBLIC SERVICE COMMISSION'S COMMENTS FOR SECTION IV (B)

With the Federal Communications Commission's ("FCC") Report and Order and Further Notice of Proposed Rulemaking released June 12, 2008 in WC Docket No. 07-38, the FCC solicited comments on several proposals for expanding the collection of information regarding broadband deployment and initiating a national broadband mapping program. With this filing, the Kentucky Public Service Commission (hereinafter "Kentucky Commission") offers the following comments on the FCC's proposed rulemaking.

Legislative acts have restricted the authority of the Kentucky Commission, and other agencies of the Commonwealth, from considering issues related to the availability, rates and market entry for broadband services.¹ However, the Kentucky Legislature specifically preserved the Kentucky Commission's jurisdiction to investigate and resolve consumer complaints regarding broadband services.² To that end, the Kentucky

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¹ See Kentucky Revised Statute ("KRS") 278.5462(1).

² <u>See</u> KRS 278.5462(3).

Commission remains interested and engaged in consumer issues surrounding the availability of broadband services. Of particular importance to the Kentucky Commission is ensuring all Kentucky consumers experience the benefits of market-based competition in the provision of broadband services. As often recognized by public policy makers across the country, specific private business interests are not always consistent, or even compatible, with broader public interests. The Kentucky Commission believes a sound and honest public policy initiative to promote broadband deployment must anticipate and account for such discrepancies. In going forward with this national broadband mapping collection effort, which the Kentucky Commission supports, the Kentucky Commission petitions the FCC to remain diligent in keeping consumer interests at the forefront of this endeavor.

The ability to spatially visualize discrete information, such as what is offered by today's geographic information systems, is a valuable tool available to public policy makers. A properly prepared map can simplify complex datasets in a manner that even the most inexperienced and inexpert member of the public can comprehend and understand. But, like any tool, a mapping system, along with its underlying data, can be misused. The accuracy and reliability of any mapping system is a function of the accuracy and reliability of the underlying data. This is an axiom recognized by any successful data-centric endeavor. In order to have confidence in the information depicted by a mapping system, it is absolutely necessary to have confidence in the underlying data. The data must be readily verifiable and subject to independent scrutiny and analysis.

The FCC seeks comment on the adoption of a national broadband mapping program with the objective of creating a 'highly detailed' map of broadband availability nationwide including ways such a program can provide useful information to other broadband initiatives.³ Such a system has inherent value. Having the ability to identify areas lacking broadband facilities can assist with focusing attention and resources where they are most needed. However, such a mapping system and, most importantly, the data it relies on, should be transparent and open for public review and analysis. Private interests often argue that detailed infrastructure information should be considered proprietary and protected from public disclosure. However, without the necessary transparency, the data can be easily misused or misconstrued to the detriment of the public interest being served. Merely labeling an initiative as a public-private partnership does not ensure impartiality. There must be real and adequate oversight that permits interested and vested parties to see the entire model and the underlying data, not just a map of surface features.

Once the FCC determines the level of detail required for a national broadband mapping program, the collection and distilling of the broadband providers' data will

³ <u>See</u> In the Matter of Development of Nationwide Broadband Data to Evaluate Reasonable and Timely Deployment of Advanced Services to All Americans, Improvement of Wireless Broadband Subscribership Data, and Development of Data on Interconnected Voice over Internet Protocol (VoIP) Subscribership, WC Docket No. 07-38, Report and Order and Further Notice of Proposed Rulemaking, FCC 08-89 (rel. June 12, 2008) (Form 477 Order and FNPRM) at ¶ 34.

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become the major challenge. It is at this stage where the greatest potential for confusion and the greatest potential for obfuscation exist. The Kentucky Commission recommends the implementation of independent measures to verify that the supplied data is valid for the intended purpose and that the information accurately represents the availability of broadband services. Otherwise, the program will be a costly exercise in futility and will be unable to support a national information resource that can be relied upon with confidence. A "checks and balances" verification system would best be accomplished by permitting full public disclosure of the supplied data where the information can be scrutinized at its most granular level – by national, state and local government agencies, as well as by private organizations and businesses. Full public disclosure will alleviate, in part, future concerns as to the amount of confidence that consumers, businesses and government agencies should place in a mapping project of this magnitude and influence. It will also stimulate competition in the deployment of broadband resources. In short, full public disclosure and the clear opportunity for comment on the data submitted to a national system will adequately satisfy concerns on reliability of the information ultimately provided through this resource.

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COMMENTS AND REPLY COMMENTS OF
THE KENTUCKY MUNICIPAL UTILITIES ASSOCIATION,
BARBOURVILLE UTILITY COMMISSION,
BARDSTOWN MUNICIPAL UTILITIES,
FRANKFORT PLANT BOARD,
FRANKLIN ELECTRIC PLANT BOARD,
GLASGOW ELECTRIC PLANT BOARD,
HOPKINSVILLE ELECTRIC SYSTEM,
MAYFIELD ELECTRIC AND WATER SYSTEM,
MURRAY ELECTRIC SYSTEM,
OWENSBORO MUNICIPAL UTILITIES,
PADUCAH POWER SYSTEM,
PRINCETON ELECTRIC PLANT BOARD,
RUSSELLVILLE ELECTRIC PLANT BOARD,
AND CITY OF WILLIAMSTOWN, KY

The Kentucky Municipal Utilities Association ("KMUA"), Barbourville Utility

Commission, Bardstown Municipal Utilities, Frankfort Plant Board, Franklin Electric Plant

Board, Glasgow Electric Plant Board, Hopkinsville Electric System, Mayfield Electric and Water

System, Murray Electric System, Owensboro Municipal Utilities, Paducah Power System,

Princeton Electric Plant Board, Russellville Electric Plant Board, and City of Williamstown, KY

(collectively, "Kentucky Municipal Utilities"), submit these reply comments in response to the

opening comments with respect to Part IV(B) of the Further Notice of Proposed Rulemaking

("FNPRM"), released June 12, 2008, in this proceeding, and opening comments in response to the balance of the FNPRM.

INTRODUCTION AND SUMMARY

As we note in Part I, many commenters agreed with our opening comments ("APPA Comments") that (1) the Commission should proceed with a granular broadband data collection and mapping program, (2) such a program must be verifiable and transparent and not controlled by private entities, such as Connected Nation ("CN") or ConnectKentucky ("CK"), and (3) underlying broadband deployment and mapping data should not be shielded by claims of confidentiality. Not surprisingly, CN and its industry allies disagreed, but as we show in Part II, their arguments do not withstand scrutiny.

In Part III, we address the claims made by CN in its July 11, 2008, *ex parte* letter¹ in this docket. Many of those claims are misleading, and some are simply untrue. Neither CN nor CK is nearly as transparent as CN claims, its underlying data is not available to the public and not independently verifiable, CN's board is in fact dominated by incumbent broadband provider interests, and many of CN's claims about the accuracy of CK's broadband mapping and the assistance it has allegedly provided to Kentucky municipal broadband service providers are incorrect.

¹ Letter to Chairman Martin from Brian Medford, CEO of CN, dated July 11, 2008 ("July 11 ex parte").

I. A DIVERSITY OF COMMENTERS AGREED THAT THE COMMISSION SHOULD PROCEED WITH A GRANULAR BROADBAND MAPPING PROGRAM, THAT THE PROGRAM MUST BE TRANSPARENT AND VERIFIABLE, AND THAT INDUSTRY'S CONFIDENTIALITY CONCERNS ARE EXAGGERATED.

Most commenters agreed with the *FNPRM*'s proposal to collected broadband availability data at the Census Tract level and to create a national broadband availability map.² As Consumers Union noted (at 9), "the Commission, as the expert agency," has unsurpassed "authority and efficiency" in broadband "availability-mapping" that "state-level mapping efforts" cannot match. CWA likewise noted (at 3) that "[w]ithout reliable, standardized national data, it is difficult to craft appropriate [broadband] policy solutions." Similarly, CPUC observed (at 3) that, while "various states in addition to California may be engaged in broadband mapping efforts," a "national broadband mapping program would . . . provide the uniformity necessary for making state-to-state comparisons."

Several commenters also agreed with our position in stressing the need to assure that broadband mapping is transparent and verifiable. BroadbandCensus.com correctly stressed (at 3) "the value of transparency, both as a means to oversee the government, and to provide consumers with recourse vis-à-vis their broadband carriers." NATOA (at 4) pointed to the same flaw as we in the CN/CK model: "it relies upon information voluntarily provided by self-interested providers." And the Kentucky PSC (at 20), much like our comments, persuasively argued that "[t]he accuracy and reliability of any mapping system is a function of the accuracy and reliability of the underlying data," and thus the "data must be readily verifiable and subject to independent scrutiny and analysis." That means the mapping system and the data on which it is based "should be transparent and open for public review and analysis" (id. at 3).

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² E.g., Consumers Union Comments at 2, 8-10, 13-20; CWA Comments at 3; CPUC Comments at 2-3; NATOA Comments at 1-8; Illinois Comments at 3-10; Kentucky PSC Comments at 3; ALA Comments at 2; New Jersey Comments at 4-9.

Otherwise, "the data can easily be misused or misconstrued to the detriment of the public interest being served" (*id.*). The Kentucky PSC went on to state what should be obvious: "Merely labeling an initiative as a public-private partnership does not ensure impartiality." *Id.*

A substantial number of commenters also agreed with us that the *FNPRM*'s tentative interest in protecting underlying broadband availability data from public disclosure was misguided.³ Commenters noted that much of the data is already available at providers' websites and thus there is no reason not to make it more readily available, and aggregated across the nation, at a single source.⁴ Furthermore, keeping the information confidential deprives both the public and other organizations of the information they need to obtain broadband service in the most cost-effective way possible and to seek recourse from providers or the government to overcome obstacles to obtaining that service.⁵ And as the Kentucky PSC observed (at 4), public disclosure of the data provides the only effective "checks and balances" to verify the accuracy of the data.

In sum, the opening comments support the positions in our opening comments: The Commission should proceed with broadband deployment information gathering and mapping at the most granular level possible, the Commission's broadband data and mapping program should be transparent and verifiable, and underlying availability, speed and pricing data should not be shielded from public disclosure. *See* APPA Comments at 1-7.

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³ *E.g.*, BroadbandCensus.com Comments at 6-10; Consumers Union Comments at 3, 8; NATOA Comments at 2, 7-9; Illinois Comments at 2, 10-11; Kentucky PSC at 4; ALA Comments at 2; New Jersey Comments at 13.

⁴ See Consumers Union Comments at 3 & 8; New Jersey Comments at 13; NATOA Comments at 2.

⁵ See, e.g., ALA Comments at 2; BroadbandCensus.com Comments at 3; NATOA Comments at 7; Illinois Comments at 11.

II. CONNECTED NATION'S AND INDUSTRY'S EFFORTS TO LIMIT COMMISSION BROADBAND DATA COLLECTION AND TO LIMIT PUBLIC DISCLOSURE ARE MISGUIDED.

In both its July 14 *ex parte*⁶ and its opening comments, CN was critical of the *FNPRM*'s proposed broadband mapping program, asserting that it would be inferior to the CN/CK mapping program, could undermine state support for programs like CN/CK, would impose additional burdens on broadband service providers, and lacks the confidentiality protections afforded by CN/CK's non-governmental, non-profit status.⁷ CN proposes instead that the Commission serve only as a passive "clearinghouse" for data supplied to it by public-private partnerships like itself.⁸

As if on cue, industry largely took the same position as CN. And some industry commenters went further, claiming that broadband service is already widely available and questioning whether there really is much of a need for broadband data gathering and mapping at all, except perhaps for areas where "the small minority of people lacking access to broadband" are. 10

But CN's and industry's assertions do not withstand scrutiny.

A. The Claim That the CN/CK Data-Gathering and Mapping Model Is Superior to Any the Commission Could Devise Is Nothing But Self-Aggrandizing Say-So.

CN (at 3, 9-15, 23-31) expends considerable energy claiming that its broadband mapping program is superior to anything the Commission could devise and thus that the Commission

⁶ Attachment to July 14, 2008, letter to Marlene Dortch from Raquel Noriega ("July 14 CN ex parte").

⁷ CN Comments at 24-40; July 14 CN ex parte at 2-8.

⁸ CN Comments at 31-38.

⁹ See, e.g., CTIA Comments at 2-7; Verizon Comments at 5-12; Qwest Comments at 5; AT&T Comments at 2-12; Frontier Comments at 1-3; Sprint Comments at 2-5; Independent Telephone & Telecommunications Alliance Comments at 3-6; NCTA Comments at 3-7; U.S. Chamber of Commence Comments at 1-3.

As noted in Part III below, executives of several industry commenters – CTIA, Verizon, AT&T and NCTA, to name but a few – are board members of CN, so this synchronization in position should not be surprising.

10 Verizon Comments at 2 — Assent NCTA Comments at 2 ("broadhond is nearly phianitous" and "the market is

¹⁰ Verizon Comments at 2. *Accord* NCTA Comments at 2 ("broadband is nearly ubiquitous," and "the market is working to meet the needs of consumers").

should stay out of the matter, except to serve as a passive clearinghouse for state-level data supplied to it by organizations like CN/CK. Aside from their obviously self-serving and self-promoting nature, these claims suffer from serious factual and logical flaws.

At the most basic level, CN's assertions rest on a factual claim – that its mapping is superior to and more readily updated and updatable than anything the Commission could do – that is unproven, and unprovable by any objective, independent authority, because of the structural flaw pointed out in our opening comments: The underlying data, and CN/CK's synthesization of it, is inherently unverified and unverifiable. APPA Comments at 4-6. CN actually confirms this complete lack of transparency when it later tries to turn this vice into a virtue by touting the inherent confidentiality of CN's "legal construct": data is supplied by providers to a Section 501(c)(3) non-profit like itself, rather than the government. CN Comments at 9 & 12-13. The only "verification" and "accuracy" is the say-so of CN itself, because its "legal construct" renders it unanswerable to a government agency as a broadband provider regulatee would be, and to the checks and balances, due process and open records obligations of a government agency.

There are also questions about the accuracies of CN's claims about CK. As noted in Part III below, there are several individual instances of inaccuracies in CK's map. More generally, CN's claims about broadband adoption and availability in Kentucky (CN Comments at 6-7) appear inconsistent with NTIA and FCC data. According to NTIA, in 2007 Kentucky ranked 45th out of the 50 states and the District of Columbia in households with broadband access, with 40% of Kentucky households having such access. That is an appreciably lower level of

¹¹ NT1A, "Networked Nation: Broadband in American 2007," at App. B, Table B-3 (Jan. 2008), *available at* http://www.ntia.doc.gov/reports/2008/NetworkedNationBroadbandinAmerica2007.pdf.

broadband availability, either in terms of homes passed (60%) or subscribership (44%), than CN reports (CN Comments at 6).

Likewise, CN's claims about the pace of broadband growth in Kentucky relative to other states "[s]ince 2005, when [CK] launched its mapping and demand-stimulation program" (CN Comments at 5-6) seem exaggerated. According to the FCC's most recent report on high-speed Internet access, Kentucky actually *dropped* from 27th to 29th among the states in terms of number of high-speed lines between June 2006 and 2007. While the drop in Kentucky's ranking may or may not itself be significant, it is certainly at odds with the picture CN tries to convey in its comments.

Moreover, as Consumers Union points out (at 6-7 n.4), many of CN's claims about the percentage growth rate in broadband adoption in Kentucky are an artifact of the mathematical truism that "improvement by a subject with a low-performing metric almost always results in greater percentage gains when compared to improvement by a subject with a higher performing metric." In fact, Montana, which has no state mapping program at all, based on the CN/CK model or otherwise, showed a significantly greater percentage growth in broadband penetration than Kentucky in the same time period. *Id*.

We do not intend by these arguments to demean CK or its efforts. What we do mean to point out, however, is that (1) CN's representations about broadband growth in Kentucky are not verifiably accurate, and (2) there is nothing remotely suggesting even a correlation, much less any causation, between CK's efforts and broadband development in Kentucky. Again, that does not necessarily mean that CK's programs have no value or that Kentucky has not made strides in broadband deployment and penetration, but it does mean that CN's representations about CK's

¹² See Industry Analysis and Technology Division, Wireline Competition Bureau, "High-Speed Services of Internet Access: Status as of June 30, 2007," at Table 10 (FCC March 2008), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-280906A1.pdf.

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role in securing any such benefit in CN's comments here are both exaggerated and not based on any verifiable facts.

Equally misguided are CN's criticisms of any Commission mapping program being inherently more "static" and "inaccurate" than CN/CK's (CN Comments 25-31). In Part III, we note that CK's own map contains several inaccuracies that have remained uncorrected despite updated information available to it. Further, as Consumers Union notes (at 9-12), most state-level mapping programs are quite "static" themselves, suffering from file size, limited functions and lack of interactivity. These are data formatting and dissemination issues, the solution to which does not uniquely belong to CN/CK.

In fact, other than its "legal construct" to preserve provider confidentiality, CN points to nothing inherent in CN, as opposed to the Commission, that would make it superior to the Commission. For all practical purposes, CN claims that its advantage boils down to the fact that, collectively, each state (or its designee like CN) has more resources to devote to broadband mapping than the Commission. While that may be true, it does not lead to the conclusion CN seeks to draw. First, that shortcoming suggests no reason why a state, rather than a "legal construct" like CK, could not play the role of working with the Commission. Second, the resource problem could just as easily – and more transparently and verifiably – be resolved through contracts with private contractors that, unlike the CN/CK model, have built-in and enforceable accountability, oversight and public disclosure requirements. *See* APPA Comments at 6.

B. CN's Worry That A Commission Mapping Program Might Undermine CN/CK's Program Is Irrelevant and, In Any Event, Overstated.

Perhaps the most curious argument against an independent Commission mapping program that CN offers is that such an FCC program "might displace" programs like CK and

"could make funding for [such] programs difficult." This argument suggests that CN either has remarkably little faith in the value of its model or has no confidence that the states that fund it will continue to see such value. It is difficult to see, however, how this self-preservation concern is one that should be of interest to the Commission.

Moreover, assuming that CN/CK's mapping and broadband stimulation programs genuinely do have value, an independent Commission mapping program should pose no threat to them. To the contrary, as the California PUC points out (at 12), a federal mapping program could supplement, rather than replace, state and public-private partnership mapping programs, with the federal program "provid[ing] base data upon which the states could add layers of data of particular interest to state policymakers." A federal mapping program would also "provide the uniformity necessary for making state-to-state comparisons" (*id.* at 3) and, we might add, enable federal and state broadband policymakers to make better informed decisions based on consistent and comparable data.¹⁴

Contrary to CN's assertion, the Commission's adoption of its own broadband mapping program would in no way prevent CN/CK from continuing to do what they are doing now. A Commission broadband data-gathering and mapping program would, however, provide the added, and vital, benefit of serving as an independent, and more open and verifiable, check on the accuracy of the inherently less-transparent mapping work of entities such as CN/CK. As for CN's concern that, if a federal mapping programming were implemented, states might be less inclined to fund CN/CK, that would only occur if states did not see that CN/CK provided

¹³ CN Comments at 36. Some industry members, especially those holding memberships on CN's board, shared this concern. *See* Verizon Comments at 5 & 10-11; AT&T Comments at 1 & 6; NCTA Comments at 5-6.

¹⁴ Strangely, CTIA (at 2) argues *against* "[s]tandarization of mapping information," apparently believing that federal and state policymakers, as well as broadband providers and the public, will be better off if they have only apples-and-oranges data that makes meaningful comparison and analysis impossible.

sufficient added value. But if that were true, that would be quite revealing in itself about CN/CK's alleged virtues.

C. Having A Single Grant-Receiving Entity Carry Out Both the Mapping Process and The Demand Stimulation Process Creates A Conflict of Interest.

CN also claims (at 23-24) that its performance of both mapping and broadband demand stimulation activities provides unique synergies that would be unavailable in a Commission mapping program. Even if that were true, however, CN overlooks that having a single private entity relying on government grants perform both mapping and demand stimulation activities also creates a troubling conflict of interest: To ensure it will continue to receive grants, the private entity has a powerful interest in having its mapping data show that its demand stimulation activities are effective. If the mapping data showed otherwise, the government might well decide that the entity's grants for demand stimulation activities were not a worthwhile expenditure. This is yet another inherent structural shortcoming of the CN/CK model that CN does not, and cannot, address or cure.

D. Industry's Complaint About The Burden of Providing Broadband Data Ring Hollow.

As one might expect, many industry members complain that furnishing the underlying data for a Commission mapping program would be burdensome. ¹⁵ And CN sees its model as a solution for this problem. CN Comments at 35.

The flaw in these claims is that they prove too much. The threshold policy question is whether, in order to make informed and sound broadband policy decisions, the Commission and other governmental policymaking bodies need accurate and complete data about the status of

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¹⁵ E.g., Verizon Comments at 4 & 13-14; AT&T Comments at 1 & 4; CTIA Comments at 5-6; NCTA Comments at 6; ACA Comments at 1-6; Windstream Comments at 2; Hughes Network Systems Comments at 6; Frontier Comments at 3; Sprint Nextel Comments at 2-3.

broadband deployment and subscribership across the nation. If such data are needed (and we fully agree with the *FNPRM*'s tentative conclusion that it is), then some burden on providers is unavoidable. It is no answer to say, as CN (at 35) and some others do, that the burden could be lessened if the Commission were to rely instead on information supplied by private entities such as CN/CK, the underlying data of which and the synthesization of which by that entity are shielded from independent review, verification or enforceable sanction for inaccuracy. Unreliable and unverifiable information frustrates the entire purpose of the broadband mapping process, and could only lead to poor broadband policy decisions.

This is not to say that minimizing data collecting burdens on providers, especially small ones, is not a legitimate concern. But the solution is to tailor the broadband data reporting requirements that the Commission imposes accordingly, not to privatize the entire process, as occurs under the CN/CK model.

E. Data on Broadband Availability, Speeds and Price Should Be Made Public and Not Kept Confidential.

As noted above, numerous commenters argue that data generated by the Commission on broadband geographic availability, speeds and price should not be confidential, but be publicly available. CN and industry argued otherwise, but their arguments do not ring true.

By claiming that information about where a provider's broadband services are available, and at what speeds and at what prices, should not be available to the public, industry is essentially arguing that a market performs better with imperfect information. That is, to say the least, a peculiar notion. As NATOA points out (at 7), one of the fundamental assumptions underlying the proposition that competition maximizes consumer welfare is that "perfect information is required for perfect competition." Imperfect information, in contrast, results in market distortions and inefficient consumer decisions.

NCTA candidly admits (at 6), for example, that if information about broadband availability and the like were made public, "it undoubtedly would be used by competitors in developing their own strategies to compete with other broadband providers." The obvious question is: What is wrong with that? Wouldn't consumers benefit from the increased competition? Or is ignorance preferable?

We do not mean to suggest that certain types of information are not truly proprietary and should remain confidential. A firm's marketing plans, the precise location and specifications of some of its facilities, can and would receive protection under FOIA and similar state laws. But where a provider's service is available, and at what speeds and at what prices, is not truly proprietary at all. It is in fact available to the consumer or competitor who wishes to take the considerable time and expense to piece together the relevant information. All government collecting of that data and making it publicly available would do is to reduce those considerable transaction costs. And reducing transaction costs would be a very good thing, not a bad thing.

By privatizing data collection, the CN/CK model would lock in those transaction costs and make them permanent. It would also deprive policymakers like the Commission of the sunshine and verification that only public review and input on the data can provide.

F. CN's Proposal To Reduce The FCC To A Clearinghouse For CK-Type Data Is Dangerous.

CN (as well as some of its industry allies) proposes that rather than developing its own more granular broadband data gathering and mapping system, the Commission should instead serve only as some sort of passive "clearinghouse" for information furnished to it by "state and local public-private partnerships" like CN/CK.¹⁶

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¹⁶ CN Comments at 31. *Accord* Windstream Comments at 4; U.S. Chamber of Commerce Comments at 2-3; Verizon Comment at 5-11; AT&T Comments at 6-7; Frontier Comments at 1-4; NCTA Comments at 5-6.

This would merely expand to a nationwide level the inherent structural defects of the CN/CK model that the record has revealed.¹⁷ It would mean that all broadband data would be non-transparently-generated and not independently verifiable. And it also would mean that there would be no meaningful checks and balances at all. (Given CN's expressed concern that an independent Commission mapping program poses a risk that states might defund CN/CK, CN's "clearinghouse" proposal would also have the remarkably convenient opposite effect of expanding and entrenching the funding of CN/CK.)

Privatized, unverifiable data is an unsound foundation on which to build federal broadband policy. Developing sound broadband policy is simply too important to our nation's future growth and success to privatize it.

III. CONNECTED NATION'S JULY 11 EX PARTE IS INACCURATE AND MISLEADING IN SEVERAL RESPECTS.

On July 11, CN submitted its lengthy July 11 *ex parte* seeking to rebut the contentions of the Kentucky Municipal Utilities' July 1 *ex parte* submission in this docket. In its July 11 *ex parte*, CN claims that our July 1 *ex parte*'s "critiques" of CN/CK are "wholly inaccurate." But as we now show, it is CN, not we, whose claims are not fully accurate.

A. Neither CN/CK, Nor the Data It Collects, Are Transparent, Accurate or Verifiable.

1. The Operation, Influences and Funding of CN/CK Are Opaque, Not Transparent.

At the outset, we note that CN/CK ignores the lack of transparency inherent in its structure as a private non-profit rather than a government agency or a regulatee subject to direct regulatory oversight. That it is a non-profit Section 501(c)(3) corporation does not change those facts.

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¹⁷ See APPA Comments at 1-7; Consumers Union Comments at 6-7 & n.4; Kentucky PSC Comments at 2-4; NATOA Comments at 4.

Moreover, Section 501(c)(3) corporations, and CN/CK in particular, are not nearly as "transparent" as CN suggests. In the case of both CN and CK, their websites (www.connectkentucky.org and www.connectednation.org, respectively) reveal little or no information at all about either organization's funding sources, nor do they disclose the composition and ties of their board of directors.

CK's website, however, does reveal its "partners," *see*http://www.connectkentucky.org/partners/, by posting logos of each at its website. In addition to several Kentucky state educational institutions and departments, among those partners are AT&T, KCTA (the Kentucky state version of NCTA), the Kentucky Telephone Association (the state version of USTA), the Kentucky Wireless Association (the state version of CTIA), and Windstream. It should be noted that AT&T, NCTA, CTIA and Windstream all filed comments supportive of CN/CK in this proceeding.

Although unrevealed by CN or CK at their websites, there is also another significant connection between CK's listed "partners" and the governance of CN itself. A search of the Kentucky Secretary of State's website reveals that Connected Nation, Inc., is a Kentucky corporation. More importantly, that website lists the members of CN's board of directors. *See* http://apps.sos.ky.gov/business/obdb/showentity.aspx?id=0510856+ct=09+cs=99998 (last visited July 31, 2008). (A hard copy of the Kentucky Secretary of State website's listing of CN's board of directors and additional information is attached as Exhibit 1 hereto.)

CN has fifteen board members. Of those fifteen, three are CN officers. Among the remaining twelve are the following, along with their ties to industry:

James W. Cicconi AT&T, Senior Executive Vice President –

External and Legislative Affairs

Steve Largent CTIA, President and CEO

Joseph Waz Comcast, Vice President, External Affairs and

Public Policy Counsel

Thomas Tauke Verizon, Executive Vice President – Public

Affairs, Policy and Communications

Walter B. McCormick USTA, President and CEO

Kyle E. McSlarrow NCTA, President and CEO

Larry Cohen CWA, President

Grant Seiffert TIA, President

It is interesting to note that several of these organizations with high-ranking executives on CN's board – AT&T, CTIA, Verizon, NCTA and CWA – filed comments in this proceeding strongly endorsing the privatized CN/CK data collection and mapping model, and endorsing CN/CK itself. It is also interesting to note that, together with the three CN board members who are CN officers, those eight industry members represent eleven of CN's fifteen board members. (Indeed, these eight industry board members by themselves constitute a majority of CN's board.)

CN/CK's sources of funding are also opaque. CN claims (July 11 *ex parte* at 4-5) that CN receives "the vast majority of its funding from public resources" and that "80% of [CK's] budget stems from public funds and 20% is donated by the private sector." But there is no publicly verifiable, transparent way either to confirm these claims or to determine what entities contributed how much, in both funds and in-kind services, to either CN or CK.¹⁸

¹⁸ CN asserts (July 11 *ex parte* at 7) that because CK is a § 501(c)(3) non-profit corporation, there are mechanisms to ensure accountability as to how it uses its funds. But this assertion promises more than those mechanisms can bear. In a search for IRS non-profit filings, one would find neither CK nor CN. That's because the CN/CK entity's original name is the Center for Technology Enterprise, Inc. ("CITE"). CITE, however, has filed IRS Form 990s only for 2005 and 2006. There has since been a corporate reorganization, and CITE is now known as CN, with CK being a subsidiary of CN. CN, however, has sought and received an extension for filing its 2007 Form 990, and thus it is not yet available. *See* July 23, 2008, memorandum from R. Eric Mills, CN, to A. McKeeman and R. Desai, attached as Exhibit 2. (By the way, we wish to note that CN personnel were cordial and cooperative in responding to our requests.) In any event, IRS Form 990s do not provide the needed transparency: They do not reveal data on the identity of, and amount contributed by, individual donors.

CN's claim (July 11 *ex parte* at 5) that "there are no 'membership' fees" to CK is, while perhaps technically correct, also misleading. Instead of members, CK has corporate partners. The benefits of becoming a "partner" appear to be membership on CK's board and display of the partner's logo at the CK website. To become a partner, private entities, as well as municipal utilities and their associations, have to pay. In the case of MEPAK (KMUA's predecessor), the price was \$20,000, as reflected on page 2 of the MEPAK board meeting minutes of MEPAK for April 23, 2004, October 22, 2004, and February 25, 2005, copies of which are attached hereto as Exhibit 3. We note that MEPAK's April 23, 2004, minutes report that a CK representative informed the MEPAK board that CK was recruiting board members who would be required to contribute \$10,000 per year to CK for three years. The October 22, 2004, and February 25, 2005, MEPAK minutes indicate that the price for MEPAK membership on CK's board had increased to \$20,000. (MEPAK ultimately declined CK board membership.)

Thus, from the sparse available information about CN and CK, the only conclusions that can be drawn are that CN's board is dominated by incumbent private sector broadband provider interests, those same interests support the CN/CK privatization model and see little need for an independent Commission broadband data-gathering and mapping program, and CN/CK is funded in part, but in unknown amounts, by those same industry interests.

The point is not to suggest that CN/CK has done anything improper. Rather, it is to contest CN/CK's assertion that it is transparent. It clearly is not. For purposes of ensuring a transparent and verifiable broadband data collection and mapping program on which sound broadband policy should be based, that would likely be true of any private entity, Section 501(c)(3) non-profit or not, that would perform those tasks, unless the entity were made subject to strict oversight, control and public transparency requirements by the Commission.

2. CK's Data Are Not Transparent.

CN also claims (July 11 *ex parte* at 2) that its data are transparent and verifiable. But that is simply not true. One need go no further than CN's own opening comments in this proceeding, which tout one of the supposed advantages of the CN/CK model as being its "legal construct" (CN Comments at 13) that enables broadband providers to shield their underlying broadband data from the government and the public, *id.* at 12-13 & 35. In other words, CN's representation in its July 11 *ex parte* that neither CN nor CK "shield[s] data" is flatly contradicted by its own subsequent opening comments in this proceeding.

Perhaps intentionally, CN/CK seeks in the July 11 *ex parte* to change the subject to whether its own output – the maps – is publicly available. But that misses the point. If, as is clearly the case, the underlying input data on which CN/CK's mapping output is based is shielded and thus unverifiable, then by definition any output based on that input data is non-transparent and unverifiable.

B. There Are Inaccuracies and Flaws in ConnectKentucky's Broadband Mapping.

While, for the reasons noted above, it is impossible to verify independently the accuracy of CK's broadband maps, there are, contrary to CK's claims, at least some identifiable flaws in those maps.

The Glasgow Electric Plant Board ("GEPB"), for instance, reports that it has been providing broadband services to its residents for well over a decade – long before the South Central Rural Telephone Company ("SCRTC") and Windstream ever provided lower-capacity DSL in the area. Yet to this day, CK's map shows only SCRTC and Windstream as providing broadband in Glasgow, not listing GEPB's much more longstanding, and more robust,

broadband offering at all. *See* July 17, 2008, letter to Annette DuPont-Ewing from William J. Ray, included in Exhibit 4 hereto.

The same story is true in the case of the Murray Electric System ("MES"). MES has been providing broadband service to Murray residents since 1998. CK's map, however, does not show MES as a broadband service provider in the area. Instead, it shows only AT&T and NextWave Communications. *See* July 23, 2008, letter to Annette DuPont-Ewing from Tony Thompson, included in Exhibit 4 hereto.

The City of Bardstown, Kentucky, operates a cable broadband system in Bardstown and neighboring parts of Nelson County. The City first launched broadband Internet access service in January 2000, over a year ahead of BellSouth's (now AT&T) first deployment of DSL service in April 2001. In 2007, Bardstown notified CK of an error in CK's map, which depicted incumbent cable operator (Insight) broadband coverage in an area that had no private sector cable service at all. *See* July 30, 2008, letter to Annette DuPont-Ewing from Mayor J. Richard Heaton and attachments, including in Exhibit 4 hereto.

Again, it is not our purpose to suggest that CK's, or any Commission, mapping process must be error-free. That's not possible. The evidence does suggest, however, that CN/CK's claims about the accuracy of its maps are overstated, and that there are structural and transparency problems in the CK/CN model that provide inadequate safeguards and checks to maximize accuracy and verification.

C. CN's Assertions About CK's Working with Municipal Utilities <u>To Expand Their Networks Are Misleading.</u>

CN claims that CK has "worked directly with at least ten municipal utilities/providers on expanding their networks." July 11 *ex parte* at 6. These claims are, to say the least, greatly exaggerated.

Attached as Exhibit 4 are letters from eleven KMUA members responding to the claims made in CN's July 11 *ex parte*. We urge the Commission to read them all carefully. Here, we provide a few key points.

Bowling Green Municipal Utilities ("BGMU") reports that it can think of no "meeting, conversation or activity ConnectKentucky may have performed that would have [had] any bearing on [BGMU's broadband network's] growth and success." GEPB, Owensboro Municipal Utilities, the Barbourville Utility Commission, the Murray Electric System, the Hopkinsville Electric System, Henderson Municipal Power & Light, and the City of Bardstown report the same. ²⁰

The facts from Berea Municipal Utilities ("BMU"), the City of Williamstown, and the Frankfort Plant Board ("FPB") differ somewhat from the others, but not in the way CN's July 11 *ex parte* suggests.

In the case of BMU, it did in fact contract with a CK representatives for a pilot wireless project, but the "project was flawed from the outset and has since been abandoned." Among the contributors to the project's failure was the poorly-performing equipment CK's representative installed. *See* July 30, 2008, letter to Annette DuPont-Ewing from Donald Blackburn, included in Exhibit 4.

In the case of Williamstown, the city met with a CK representative in connection with a proposed wireless broadband project. CK representatives provided a list of the equipment that would be needed, but the equipment and the resulting system designed by someone CK

¹⁹ July 24, 2008, letter to Chairman Kevin Martin from Mark Iverson, included in Exhibit 4 hereto.

²⁰ See July 17, 2008, letter to Annette DuPont-Ewing from William Ray; July 24, 2008, letter to Annette DuPont-Ewing from Richard Chapman; July 28, 2008, letter to Annette DuPont-Ewing from Chris Brewer; July 23, 2008, letter to Annette DuPont-Ewing from Tony Thompson; July 18, 2008, letter to the FCC from Austin Carroll; July 22, 2008, letter to Annette DuPont-Ewing from Gary Quick; July 30, 2008, letter to Annette DuPont-Ewing from J. Richard Heaton; July 31, 2008, letter to Chairman Kevin Martin from Warner Caines, all included in Exhibit

recommended to the city was lacking in certain basic respects, "and had it not been for the help of third parties, this project would have failed or at the very least worked after several setbacks and problems, possibly costing the City thousands of dollars." *See* July 31, 2008, letter to Annette DuPont-Ewing from Roy Osborne, included in Exhibit 4.

In the case of FPB, it approved the upgrade of its pre-existing municipal cable and telecommunications network to a full service broadband network ("FSN") in 1997 and completed the upgrade in 2003. Since the inception of FPB's FSN project in 1996 through July 31, 2008, CK "neither participated in this process nor were they contacted by anyone affiliated with FPB." CK provided no "assistance with the expansion of FPB's network." FPB personnel have met with CK representatives occasionally over the past three years, and at the request of CK representatives, FPB agreed to allow engineers recommended by CK to do survey work for possible wireless broadband service in a portion of northern Franklin County, but those engineers came to the same conclusion that FPB had already reached a year earlier: Due to terrain and other factors, it was not financially feasible for FPB to pursue a wireless project in the area. *See* July 31, 2008, letter to Chairman Kevin Martin from Warner Caines, included in Exhibit 4.

In short, CN's claim that CK "has worked directly with at least ten municipal utilities providers on expanding their networks" (July 11 *ex parte* at 6) is, at best, an exaggeration.

CONCLUSION

The Kentucky Municipal Utilities strongly support the *FNPRM*'s proposal that the Commission develop a granular nationwide broadband reporting and mapping program. Such a program should not, however, be privatized under the CN/CK model, nor should the Commission become a mere clearinghouse for data and mapping generated by entities such as CN/CK. We also urge the Commission not to restrict the public availability of data concerning broadband geographic availability, speeds and prices.

Respectfully submitted,

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August 1, 2008

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VIA ELECTRONIC COMMENT FILING SYSTEM (ECFS)

Ms. Marlene H. Dortch Secretary Federal Communications Commission 445 12th Street, SW Washington, DC 20554

Re: Notice of Ex Parte Communication in the Matter of FCC Broadband Data Report, Further

Notice of Proposed Rulemaking, WC Docket No. 07-38

Dear Ms. Dortch:

Please be advised that on July 1, 2008, Annette DuPont-Ewing, Executive Director, Kentucky Municipal Utilities Association; Joe Nipper, Senior Vice President Government Relations, American Public Power Association ("APPA"); Corry Marshall, Government Affairs Representative, APPA, and the undersigned, met with Commissioner Michael J. Copps and Scott Deutchman, Legal Advisor to Commissioner Copps, regarding the above-referenced proceeding. The parties discussed their concerns about broadband mapping as outlined in the attached documents: (1) The Problems with the "ConnectKentucky/Connected Nation" Broadband Mapping and Information Model; and (2) APPA Resolution 08-12, In Support of Public Entities Undertaking Broadband Mapping.

We are filing this notice with attachments in accordance with Rule 1.1206 of the Commission's Rules.

Very truly yours,

Gloria Tristani

cc: Commissioner Michael J. Copps (carolyn.conyers@fcc.gov) Scott Deutchman (scott.deutchman@fcc.gov)

Attachments

THE PROBLEMS WITH THE "CONNECTKENTUCKY/CONNECTED NATION" BROADBAND MAPPING AND INFORMATION MODEL

- 1. Broadband deployment data must be collected and delivered in a transparent, verifiable manner.
 - The CK/CN model doesn't do that: Data is collected, interpreted and reported by a private non-profit entity and shielded from government and public input, oversight, and verification.
 - The nature and control of the private non-profit is itself also non-transparent, but appears to be dominated by incumbent telcos and, to a lesser extent, incumbent cable operators. CK charges high membership fees that effectively exclude most muni utilities.
- 2. Government broadband policy can be no better than the data on which it relies. Without assurances that broadband deployment mapping is performed objectively, transparently and verifiably, government broadband policy based on that data will be skewed, and there is a significant risk that it will be tilted against muni broadband and in favor of private providers who participate in and control CK/CN.
 - In fact, independent sources indicate that CK's broadband mapping data is not accurate, and overstates broadband availability.
- 3. Broadband deployment data collection and mapping should therefore be a government, not a private, function.
- 4. CK receives federal and state funding to perform its tasks of mapping and broadband promotion, but there is no effective mechanism to ensure accountability as to how CK actually uses those funds.
 - CK tends to promote telco-provided broadband to local businesses, even though telco DSL service is not very "broad" broadband at all.
- 5. There are pending efforts on the Hill (H.R. 3919 and S. 1492) and by CN at the FCC (in the *Broadband Data Rulemaking* docket) to "lock in" the CK/CN model at the federal level.

Sponsor: Franklin (Kentucky) Electric Plant Board

In Support of Public Entities Undertaking Broadband Mapping

Universal broadband deployment is critical for the economic health of our nation. It is especially important to promote broadband deployment in rural and historically underserved areas. All well-qualified service providers, including municipal utilities, should be encouraged to provide broadband service to such areas, and no segment of the broadband service provider market should be competitively disadvantaged.

To formulate effective and competitively neutral policies to promote broadband deployment in rural and historically underserved areas, data on the status of broadband deployment must be transparently-generated and compiled, verifiable and thus reliable. Without such data, policymakers and broadband service providers such as municipal utilities cannot make informed judgments on where broadband deployment is in most need of promotion and the appropriate methods to promote that deployment. The American Public Power Association (APPA) therefore strongly supports the gathering and reporting of accurate and reliable broadband deployment data and mapping.

The valuable goals of broadband mapping, however, have in many respects been frustrated by initiatives to privatize broadband deployment mapping and reporting and to prevent government performance of these important public functions. The movement originated with ConnectKentucky, a private non-profit organization with reportedly close ties to AT&T but whose full nature is undisclosed at its website. ConnectKentucky has succeeded in securing from the Commonwealth of Kentucky the exclusive authority to

gather and report broadband deployment mapping in that state, as well as state funding to perform that task. The broadband deployment information ConnectKentucky receives from providers is confidential and thus shielded from public view or any means of objective verification. Although depicted as a "public/private partnership,"

ConnectKentucky is "public" only in the sense that it receives taxpayer money from the state government; its activities are purely private. ConnectKentucky also charges a \$20,000 membership fee, an amount that effectively excludes most municipal utilities.

And ConnectKentucky tends to promote primarily the broadband services of incumbent providers such as AT&T, whose DSL service is actually far less "broad" than the broadband service that municipal utilities and others provide. Moreover,

ConnectKentucky's claims of success in promoting broadband deployment in Kentucky are inconsistent with the conclusions reached by more independent sources, which have found little or no gain in Kentucky broadband deployment as a result of

ConnectKentucky's activities.

ConnectKentucky led to the creation of Connected Nation, a national organization whose goal is to spread the ConnectKentucky model to other states and to the federal level. Connected Nation has successfully expanded the model to Tennessee, Ohio, West Virginia and South Carolina, and other states are considering following suit. Moreover, Connected Nation has backed the introduction of several bills in Congress, each of which would, in one form or another, establish a federal grant program for state-level broadband mapping, with grant eligibility requirements that would give Connected Nation or its state-level affiliates the inside track on receiving federal grants and would prohibit grants

to state agencies or to entities whose board of directors has a majority of individuals employed by or affiliated with federal, state or local governments.

As FCC Commissioner Michael J. Copps has noted, "creating good data is really a core function of government." Broadband deployment mapping and reporting should therefore not be privatized. It instead should be a transparent, competitively neutral process, and one that permits municipal utilities and their representatives to participate on an equal footing with incumbent private telephone and cable companies and to receive the same benefits as those companies. That will not occur if the Connected Nation model, at least in its present form, is adopted at the state or federal level.

NOW, THEREFORE, BE IT RESOLVED: That the American Public Power Association (APPA) believes that broadband reporting and mapping should be a transparent process performed by government instead of private entities;

BE IT FURTHER RESOLVED: That any broadband mapping grant program enacted by Congress provide that only a state agency is eligible for the grants, and that any such grant is conditioned on state-level broadband mapping being a transparent process in which municipal utilities may equally participate; and

BE IT FURTHER RESOLVED: That the Federal Communications Commission adopt rules in Docket Number 07-38 to establish new national broadband mapping and reporting rules that are transparent, that appropriately define broadband, that differentiate

between business and residential customers, and that provide due regard for the unique role of municipal utilities in meeting national broadband deployment objectives.

As adopted June 24, 2008 by the membership of the American Public Power Association at its annual meeting in New Orleans, Louisiana.

Connect Kentucky Provides Uncertain Model for Federal Legislation -- Jan. 9, 2008 http://www.publicknowledge.org/node/1334

Connect Kentucky Update: Broadband Tax Plan Ditched – Feb. 4, 2008

http://www.publicknowledge.org/node/1382

Connect Kentucky Disconnected At Home – April 14, 2008

http://www.publicknowledge.org/node/1521

Connected Nation's Private Interests Hit In FCC Comments – July 24, 2008

http://www.publicknowledge.org/node/1675

Connected Nation Takes Aim At Stimulus Broadband Mapping; Rural Areas Could Be Hurt – Feb. 17, 2009

http://www.publicknowledge.org/node/1998

Virginia Uses Self-Help Program for Rural Broadband – Feb. 20, 2009 http://www.publicknowledge.org/node/2003

Chicago Tribune:

http://www.chicagotribune.com/news/chi-wired-for-webfeb22,0,4823241.story

Column from Charlotte Observer: A Blind Curve on the Information Highway – Feb. 20, 2009 http://www.charlotteobserver.com/346/story/548379.html

Coverage from IndyWeek, Durham, N.C. Stories by Fiona Morgan

State lawmakers debate using industry-backed info on broadband access – Feb. 4, 2009

http://www.indyweek.com/gyrobase/Content?oid=oid%3A279831

Building a Better Broadband Map – Feb. 5, 2009

http://www.indvweek.com/gvrobase/Content?oid=oid%3A280381

Telecom Industry Brings Connected Nation to North Carolina – Dec. 31, 2008

http://www.indyweek.com/gyrobase/Content?oid=oid%3A272764

Article by Drew Clark of Broadband Census.com

http://arstechnica.com/tech-policy/news/2009/02/infrastructure-investment-decisions-need-transparency.ars