

Wednesday, May 14, 2003

COMMUNITY-BASED BROADBAND: HOW CAN THE FCC HELP?

Following are requested suggestions for actions that the FCC might take to stimulate the deployment of Community-Based Broadband Networking models. More about these models can be found at www.telophase.org.

The suggestions for FCC action - alluded to above - are preceded by the following brief rationale; this will help elucidate TeloPhase's current path.

RATIONALE

An important key to understanding the initiatives represented in the suggested actions that follow - is to take the view that citizens of communities 'own' their personal communicative capabilities. Citizens generate communication, and their communicative capacity can be represented as an 'asset'. This asset represents something that citizens do as a function of belonging to local, national, and international communities. This asset is bought and sold on the open market.

It is a given that large communication conglomerates have long derived revenues from this citizen/community 'asset'; that is, the need, and capacity to communicate.

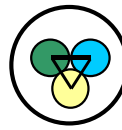
Railroads, electricity, automobiles, the telephone, and the Internet have all helped to 'connect citizens', by making possible ways to 'use' the human propensity to communicate. From this 'use', large communication conglomerates have - with the help of government stimulus - created enormous social efficiencies and economies, created exponential capital gains, and new business opportunities - thus making increased revenue (private profits) and national commercial growth possible.

The Commercial Communications sector was one of the above developments. It was largely stimulated by early entrepreneurial investment (just as the railroad, electricity, phone, and auto sectors), early commercial over development, and subsequent commercial failure for many early investors. Eventually, government subsidies were created to help these infrastructures build out in the national interest. These subsidies helped to mitigate commercial risk, and push rapid universal deployment.

Thus, the necessary risks that corporations took to build communications infrastructure was often largely a direct result of US Government subsidy via tax credits and other incentives - i.e. a disbursement of citizen's tax dollars that helped private enterprise build commercial infrastructure. An entire communications sector - indeed, a new economy - was built on that wise investment.

Within the last decade, new technologies (microprocessors, mass storage, Internet, wireless, etc.) have made it possible for citizens to communicate in new ways, and in sheer volumetric capacity, that dwarfs the combined absolute communications activity of all prior centuries combined. These new communication technologies have also made it possible for citizens, and their representative municipalities, to operate their own communication networks (data, voice, and content) - i.e., to derive full benefit from the use of their communicative assets, rather than selling the right to those assets to an outside entity.

Many large, commercial communications-related organizations that dominated the US domestic communications sector through the end of the 20th century would like to extend their reach. As profit-making corporations are bound to do, they would like to find ways to leverage their current



communication networks (again, largely built from taxpayer subsidies and early assigned monopoly) into new sectors made possible by digital technology.

Many of these large communication-based organizations have conflicting interests around ownership and control of communications networks (i.e. the citizen's raw collective capacity, and need, to communicate via technology). These conflicts have made their way to the courts, and largely put a halt to speedy deployment of the 'next step' in communications technology - i.e. community-based and operated broadband communication networks.

What has been largely lost in much of the legal wrangling is that communications technologies have progressed to the point where it is no longer an absolute necessity to have large commercial organizations as the sole providers of the 'means to communication'. New, disruptive, technology has rendered once-robust communications business models obsolete.

Citizens and their communities are now in a situation where the *citizen's ability to communicate* can be controlled as an asset held by citizens, and their representative communities. This is clearly borne out by the fact that one of the more recent communication technologies - cable television - finds its way to citizens by way of negotiation with communities and their citizens.

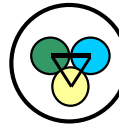
Given this new reality, we believe that citizens and their respective communities should have an opportunity to benefit financially as well as socially through community-based broadband communication networks that connect them to their neighboring communities, to each other, and the rest of the world. The technology and business model to make this happen is with us, today, via the TeloPhase model.

Municipalities, by leveraging the common carrier backbone (that their (US) citizens have invested in and paid for many times over), have an opportunity to deploy new technologies in ways that permit community control and profit. This process should proceed unencumbered by large communications carriers and content providers who are no longer necessary to the next important stages of broadband deployment.

Municipalities and broadband equipment providers, if given appropriate stimulus, can create universal broadband deployment in the US. Municipalities can profit from their own broadband networks and keep most of the profits that comes from their own citizen's use of the inherent intellectual capital asset known as 'communicative capacity'.

The development of thousands of community-based businesses, nation wide, each serving the communication needs of their respective communities, will have an enormous economic impact. The TeloPhase business model illustrates that the capitalization needed to fund broadband development can 1) be paid back within five years with tax-free interest; 2) create local jobs; 3) return substantial profits to the community; 4) stimulate local economies and, by extension, the national economy; and 5) stimulate capital equipment purchases from broadband equipment vendors that result in order-of-magnitude increases in revenue to those vendors.

With the above rationale in mind, please consider the following suggestions as early pointers to actions that can be taken by the FCC to stimulate the deployment of Community-Based Broadband as defined in the TeloPhase Community-Based Networking broadband deployment model.



SUGGESTED FCC ACTIONS

Stimulate the creation of tax-free Broadband Bonds (BBB)

Commercial broadband equipment providers have told us that the business case for deploying broadband in the majority of cities in the United States has not been successfully solved by any provider. That's one of the reasons they like the TeloPhase model, in addition to the fact that community-based broadband deployment via the TeloPhase model would grow their businesses by near-orders-of-magnitude.

The issuance of tax-free BBB's would establish a Community-Based Network that returns 80% of subscriber profits back to the municipality. It is important that BBB's be issued in a way that guarantees the community broadband infrastructure could not be sold at a later date to a private entity, thus the "not-for-profit" nature of TeloPhase's Community-Based Network entities.

The basic requirements for issuance of BBB's would be diligence – based on a firm template (TeloPhase could help define this) - performed by municipalities in cooperation with a not-for-profit entity.

In short, BBB's would accomplish the following:

1. Reduce risk on the supplier and subscriber side.
 2. Require 'no-brainer' payback (all the business diligence and research shows that the majority of community members would gladly move to municipal broadband, if they could – thus virtually guaranteeing a municipal business success).
 3. Stimulate demand for new broadband services.
 4. Create significant revenue opportunities for broadband equipment providers.
- (Note: please see www.telophase.org for additional benefits)

Stimulate the introduction of Broadband Tax Credits to vendors and carriers

Stimulate the introduction of tax credits to broadband carrier and/or equipment companies who are willing to participate and invest in the Community-Based Networking model.

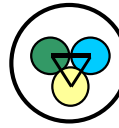
Tax credits could be used as a stimulus for private broadband equipment organizations to engender significant broadband equipment price (or other) concessions to communities.

Tax credits could also be used to stimulate new, cooperative, broadband deployment models created by large information and content carriers. A primary requirement of any broadband tax credit would be that Community-Based Networks would have to result from the issuance of said tax credit.

Coordinate all broadband funding under the umbrella of the FCC

Currently, broadband funding (via grants, and otherwise) is distributed and monitored through a number of federal agencies. One example: a current program that funds rural broadband deployment via the Department of Agriculture. The latter program, and others like it, does not take into consideration the need for sustainable business models that maintain the profitable existence of a community-based broadband system. All community-based broadband programs should be designed from the outset to break even in terms of expenditure/revenue ratios within a two to three year period.

Stimulation of broadband via federal fiat is one of the FCC's core competencies. The FCC is at the cutting edge of developments in broadband deployment, and is thus the most efficient purveyor and



monitoring agent of programs to stimulate that deployment. The FCC, and the FCC alone should monitor all programs that disburse tax dollars or other incentive programs for broadband deployment.

Stimulate the support of grass roots, community-based organizations that are prepared to work with municipalities

The FCC can stimulate interest in the Congress (or otherwise) to support the start-up efforts of Community-Based Networking groups at the community and regional levels. The TeloPhase Community-Based Networking model is a powerful concept, with a solid business and operational model that prepares communities who adopt its template to profit from the communication activities of their citizens.

Other Community-Based Networking models that prove to be effective should also have an opportunity for FCC seed funding, so that they can ‘spread the word’ and help municipalities leverage broadband communications activities into sorely needed local revenue.

Stimulate the right for municipalities to move forward with Community-Based Networking, unfettered by litigation brought by current telecommunications and content sector

The FCC can make decisions and stimulate legislation that keeps communities free of aggressive litigation brought by some current communication and content sector leaders. This litigation has been designed – and has been largely effective - in creating financial and other disincentives to community-based broadband deployment that competes with traditional carriers.

Litigation to prevent community-based broadband deployment has been the result of an effort to keep community-based communicative assets under the control of traditional communication and content entities. Communities should have the right to do as they wish to enhance the communicative capital if their citizens, including the deployment of Community-Based Networking, without the added burden of having to justify their decisions to commercial entities who are no longer able to meet the optimal communicative needs of citizens, nor able to maximize those citizens communicative assets.

Currently, these legislative efforts at the state and federal level act (or threaten to act) as a disincentive to community-based innovation, and ironically, as a further disincentive to the rapid deployment of broadband technologies.

If the United States is going to be able to compete in the future, with a robust broadband infrastructure, broadband deployment will have to be permitted *every* possibility for deployment, unfettered by litigation designed to prevent technological and social innovation.

No commercial entity should be permitted to use the law to keep citizens from using their communicative capital in any way other that those same citizens see fit.