

# Pennsylvania

# Broadband Consortium Pilot Project

## BEAVER COUNTY

## Project Brief

December 2004

### Qualification Statement

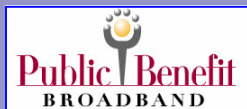
The ***Pennsylvania Broadband Consortium (PBC) Pilot Project*** is funded through a pooling of federal, state and local investment. Participants include; (Federal) the *Appalachian Regional Commission (ARC)* and (State) the *Department of Community and Economic Development (DCED)*, with local contributions from the *Beaver Initiative for Growth (BIG)* organization. Copies of grant application and additional project documentation is available through *PBC Program Management* office.

The PBC Program is a *Public/Private Partnership (PPP)* initiative, whereby community leaders, in collaboration with public sector organizations seek to configure and establish a community-based and branded broadband communications initiative through focused alliance.

***The following document provides a Project Brief of the findings, conclusions and recommendations resulting from a first phase business case development and planning assignment in Beaver County.***

The purpose and objective of a broadband PPP is to establish a community based platform for delivery of advanced broadband services facilitating an increase in market adoptions, job growth and local economic development through collaborative outreach.

PBC Program Developer and contract partner for this assignment was *Public Benefit Broadband, Inc.*, a nonprofit community development organization specifically chartered to study and develop broadband communication partnerships between public and private industry.



# Market Information & Opportunity

The Beaver County motto of “*Divided by its Rivers, United by its People*” truly reflects the County’s heritage of a good place to live, work and play. While population and business growth is a topic of interest, it the areas quality of life that is considered to be its greatest attribute. In order to spur increased population, workforce and business growth, as-well-as further quality of life, increasing availability and access to broadband services is recognized to be a prerequisite. High-speed connectivity is certainly available in Beaver County, though principally in the larger population centers with many areas having limited or no service being offered. Wireless data services are also available, in limited areas, as identified through private partner interviews.

The geographic area under study in this first-phase assignment encompassed all of Beaver County. While this territory frames the study parameters, it is believed that a broader “regional vision” and focus will evolve over time. In the process of moving into implementation, a broadband communications *brand-name* becomes central to the strategy. Through the course of first-phase efforts a regional brand-name of **Big River Broadband (BRB)** has been reserved.

Establishing a beginning baseline is critical as we chart a course for the future. The illustration to the right provides an illustration of the existing baseline of current telecommunications services that flow through the Beaver County area.

Currently **\$197,139,076** per year flows though Beaver County from the purchase of voice, video, data and wireless services. We can chart the distribution of this revenue across specific market sectors and identify where “*demand aggregation points*” exist. Add to this, information gathered via survey and outreach and we can see what level of “*affinity-thread*” surrounds the community to determine if a localized “*call-to-action*” could increase service deployment and adoption. A strong affinity-thread is indicated in the Beaver County area as revealed through outreach and survey activities to both business and residential users. Over 80% of those surveyed indicating interest in purchasing services through a community-based organization and strategy. Strategy development looks to define a “market-entry” service, that serves a market need or opportunity. If present, further and additional service offerings would then be added over time. The long-term strategy looks to offer integrated broadband communication services delivering voice-data-video connectivity for use in both “Intranet” and “Internet” environments.

**PPP Strategy:** *Big River Broadband* (a community development based organization) and a “private partner” entity, formed through a Joint Venture (“JV”), comprised of existing private sector individuals and organizations, as “founding partners,” is being contemplated. The “JV” would be created through a combination of existing private sector organizations, establishing a platform for a “*merger*” of private sector assets, customers and resources around an existing customer base, PLUS a select number of business, commercial and civic “anchors”. This approach establishes a very effective market entry strategy and offers solid “value-add” propositions to the current marketplace. This construct also moves the PPP forward effectively through a solid “call-to-action” for launching the *Big River Broadband* Program.

The JV/LLC strategy represents a model that leverages both public and private resources in order to strategically move ahead in direct alignment with WB-30 legislation, which looks favorably upon establishing joint venture business constructs for broadband advancement.

Source: FCC

Annual Communications <b>Beginning Baseline</b>			
Consolidated Segment Revenues – <b>Beaver County</b>			
Service Classification	Residential Segment	Commercial Segment	Segment Totals
Voice Services	\$ 48,595,804	\$ 64,385,324	\$ 112,981,128
Video Services	27,247,667	708,007	27,955,674
Data Services	4,589,086	8,057,874	12,646,960
Wireless Services	combined	combined	43,555,314
<b>Annual Revenue</b>	<b>\$ 80,432,557</b>	<b>\$ 73,151,205</b>	<b>\$197,139,076</b>
<b>Gross Annual Market Baseline - <b>Beaver County</b> ... \$ 197,139,076</b>			

**On November 30, 2004 Governor Rendell signed into law House Bill 30. We encourage all citizens and businesses to review this important legislation. The Pennsylvania Broadband Consortium-Public/Private Partnership Program directly supports many of the Thirteen (13) points of policy declaration that are contained in HB-30, providing an effective mechanism for furthering the delivery of advanced broadband communication services for all Pennsylvanians.**



# Study Findings & Conclusions

The table below reveals key indicators for the Beaver County pilot area demographics. Understanding the current level of communication expenditures aids in establishing market opportunity. Matching revenue to population (households) and business helps to identify aggregation

Category	Measure	2004	2009	2014	2019
Population	People	176,930	174,704	172,506	170,336
Households	Units	71,596	70,696	69,806	68,928
Commercial	Units	3,438	3,438	3,438	3,438
Employment	Employees	47,964	47,964	47,964	47,964

spots. Testing the market for the appetite and interest in a community-based initiative provides an indication of need and customers. A final, critical measurement for establishing the PPP, is the presence of “private-sector partners” that would participate in the PPP.

Business case parameters requires definition of an effective “market entrance” strategy, followed by identification of private sector organizations that could participate

Source: Census

in offering a menu of services. While “all of the market” may come into play under a community-based offering, it is the “data area” of the market that best supports market entry and beginning opportunities. In time, all levels of service are anticipated to migrate into the community brand, this migration is predicted to take place over a 5-10 year period.

A community-brand has been identified and affinity research indicates market need and customers, with private sector partners being positioned and interested. It is believed that a unique assembly could be facilitated around both public and private participants that could move the *Big River Broadband* program to market entrance quickly and effectively. Funding availability has been identified at both the federal and state levels with local investment vehicles also being identified and positioned to provide additional support. Market factors and opportunity in the Beaver County appear to be present with critical attributes for determining a business case being seen. The conclusion of HB-30 legislation and the debate around the role of government in delivering communication services now completes the rationale for the PPP model. The PPP is not established or configured through a “political subdivision” and directly supports the assembly of “joint ventures” which HB-30 specifically recognizes.

Lessons learned from numerous consultancy reports and previous experience indicates that the single greatest requirement needed is effective community leadership followed by politics, private sector participants, project financing and customer need/opportunity. All of these attributes are present in the *Beaver County Pilot Project*.

## FINDINGS AND CONCLUSIONS:

- The leadership team assembled through the Beaver Initiative for Growth (BIG) organization are well positioned and respected in moving a PPP initiative to a second stage process. This organizational team also represents an effective platform for talent recruitment, training and applications.
- With continued support from political leadership, it is believed that effective alliances with the various communities throughout the region will respond well to a “call-to-action” that can improve the regions competitiveness. There are sound economic and socioeconomic reasons for the community stakeholders to participate.
- There is evidence of an ample roster of potential private industry partners that would respond to the suggested assembly of a local partnership. Responses in first phase interviews indicate that free market organizations see value and benefit in being part of the delivery and adoption of enhanced services through the PPP.
- Several strategies for start-up financing of the PPP are evident with the most effective being the integration of certain existing assets and resources through a merger and recapitalization. This path would allow for initial seed funding to be positioned through private sector investment which would better facilitate public sector participation. HB-30 legislation encourages Joint Venture (JV) assemblies which may aid in developing local investment strategies.
- The marketplace (customers) in both the residential and business community have responded favorably to the notion of a broadband service offering through a community-centric model. Outreach and survey work indicates an ample affinity-thread in the Beaver County area. It is anticipated that the community would respond to a “call-to-action.”
- Rural broadband development is becoming a priority of both federal and state agencies with numerous subsidy and incentive programs in place. There exists numerous paths for soliciting funding for the Beaver County PPP. While no guarantee can be made for securing such funds, it is recognized that first phase project work secured both federal and state funding. It is reasonable to further pursue both federal and state funding for the PPP with first phase results further strengthening the application.

The ultimate goal is to reach farther, serve better and drive to increase competitive offerings in areas where either no service exists or competitive offerings are limited.



# Recommendations & Acknowledgements

## RECOMMENDATIONS:

- The leadership team should move forward with the project by identifying the geographic areas, customer segments and product sets that will best support an initial launch of the PPP initiative. The leadership team should also work to build consensus around the scope and timing of subsequent deployment phases.
- Full scale initial deployment of “all products” for “all communities” would not be financially feasible and is not recommended for logistic or practical reasons. Instead, project phases should be created to balance the economic and social impact with the best financial return on investment. In this way, the project will be able to sustain itself over time and grow to serve a much larger area.
- A group or entity should be established to formally move the PPP implementation into a second phase process. The name **Big River Broadband (BRB)** has been reserved. This step establishes a “go-to-market” brand, allowing for a regional initiative to evolve and market growth to be charted. This organization should be “founded” by members of current leadership teams and additional civic, institutional and business leaders.
- **Big River Broadband** should then move to negotiate a local JV/LLC entity which would be established through a teaming with existing private-sector organizations. This assembly would aid in the configuration of required seed funding and allow for the market entry strategy to be positioned in support of the “call-to-action” statement.
- **Big River Broadband** should then move to submit application for federal and state funding that could support the PPP in its entry and expansion throughout the Beaver County region.
- Further outreach and briefing activities should be initiated under the **Big River Broadband** banner in order to better manage the expectations of the community and media while second phase activities are in process. Additionally, outreach and briefing to organizations that could participate in the expansion of the PPP beyond pilot areas should be completed.
- **Big River Broadband** should further consider becoming a “founding member” in the statewide **Pennsylvania Broadband Consortium** organization. This path will further enhance partnership development, funding and financing alternatives and will aid in risk mitigation.

Collaboration has been the cornerstone of this project with participation from virtually all sectors of the community. The *Project Leadership Team*, lead by the *Beaver Initiative for Growth (BIG)* organization could not have accomplished this assignment without the support and participation of the following:

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## Contacts & Additional Materials:

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All project documentation, research and supporting materials are available for review by appointment. Interested parties are encouraged to read the comprehensive *Executive Report* associated to this project and to join the leadership team in moving the Beaver County region into the future.

*"We in Beaver County never want to lose a business to another county or state because they couldn't get the technology services they needed. We want the reverse. Our team sees businesses moving and expanding their services here if this technology was readily available."*

*Over the years the county has seen thousands of jobs leave the area. This project has the potential to spur new industries in the area and add jobs for Beaver County residents."*

Dan Woodske,  
Beaver Initiative for Growth.



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