

Pennsylvania

Broadband Consortium Pilot Project

Potter/McKean 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 *Potter and McKean County Housing and Redevelopment Authorities*. 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 stakeholders, in collaboration with private sector organizations, seek to configure and establish a community-based and branded broadband communications initiative through focused alliance. First stage process entails the investigation of alternative PPP business cases within Three (3) *PBC Pilot Project* areas.

The following document provides a Project Briefing Report of the findings, conclusions and recommendations resulting from a first phase business case development and planning assignment in the Potter/McKean County area.

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 and local economic growth through collaborative outreach and development.

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 north central region of Pennsylvania is home to some of the most beautiful country in the Commonwealth with recreation, tourism, agriculture and small business making up the areas economic backbone. While population and business growth is a topic of concern, the areas quality of life is considered to be its greatest attribute. In order to spur increased population and business growth, as-well-as furthering quality of life, increasing availability and access to broadband services is recognized to be a prerequisite. High-speed connectivity is currently available in the area, though principally in the larger population centers. Large areas of the region has either limited or no service being available. 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 encompasses all of Potter and McKean Counties. While this territory frames the study parameters, it is believed that a broader “regional vision” and focus will evolve as the project moves into implementation. In the process of moving forward, a broadband communications *brand-name* becomes central to the strategy. Through the course of first-phase efforts the regional brand-name of **Allegheny Broadband Connection (ABC)** 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 Potter/McKean County areas.

Source: FCC

Annual Communications Beginning Baseline			
Consolidated Segment Revenues – Potter/McKean Counties			
Service Classification	Residential Segment	Commercial Segment	Segment Totals
Voice Services	\$ 16,274,984	\$ 27,373,159	\$ 43,648,143
Video Services	8,350,468	315,482	8,665,950
Data Services	1,429,876	3,425,772	4,855,648
Wireless Services	combined	combined	15,356,740
Annual Revenue	\$ 26,055,328	\$ 31,114,413	\$ 72,526,481
Gross Annual Market - Potter & McKean Counties Combined ... \$ 72,526,481			

Currently **\$79,526,481** per year flows through Potter and McKean Counties 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 Potter/McKean County area as revealed through 1,300 residential and 112 business surveys with over 85% 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 - *Allegheny Broadband Connection* (a non-profit community development organization) and a “private partner” entity, formed through a Joint Venture (“JV”) or Limited Liability Corporation (“LLC”), comprised of existing private sector individuals and organizations, as “founding partners,” is contemplated. The JV/LLC would be created through a strategic 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 institutional anchors. This approach establishes a very effective demand aggregation strategy for market entrance and offers solid “value-add” propositions to the current marketplace. This construct also moves the PPP forward with an effective capitalization strategy and a solid “call-to-action” for launching *Allegheny Broadband Connection*.

The JV/LLC strategy directly aligns with HB-30 legislation and represents a path that leverages public and private resources in order to move immediately forward in positioning the community for federal and state dollars (grants and loans) that are currently available.

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 Potter/McKean 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 spots. Testing the market for its appetite and interest in a community-based initiative provides an indication of need and customers. A final, critical measure for establishing the PPP, is the presence of “private-sector partners” that would participate, for it has been proven unwise and far too costly to consider alternatives that encompasses a municipal-based structure.

Source: Census

Category	Measure	2004	2009	2014	2019
Population	People	62,382	63,226	64,082	64,949
Households	Units	24,737	25,072	25,411	25,755
Commercial	Units	1,532	1,532	1,532	1,532
Employment	Employees	20,392	20,392	20,392	20,392

Business case parameters requires definition of an effective “market entrance” strategy, followed by identification of private sector organizations that could participate 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 *Allegheny Broadband Connection* 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 Potter/McKean County appear to be present with critical attributes for determining a business case being evident.

Lessons learned from numerous consultancy reports and previous experiences indicate 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 Potter/McKean County Pilot Project.

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FINDINGS AND CONCLUSIONS:

- The leadership team assembled through the Potter and McKean County Housing and Redevelopment Authorities and the Potter County Education Council are well positioned and respected in moving a PPP initiative to a second stage process. This organizational team also represents and effective platform for talent recruitment, training and applications.
- The stakeholder arena in support of the project is currently comprised of both Potter and McKean County leadership. 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 would improve the regions competitiveness. There are sound economic and socioeconomic reasons for the political community 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. There is interest in a combination of strategic private sector organizations that could serve the PPP assembly.
- 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 a strong affinity-thread in the Potter/McKean County area. The community will likely respond well to a “call-to-action.”
- Rural broadband development is now a priority at both federal and state levels with numerous funding programs in place. 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 pursue both federal and state funding for the *Allegheny Broadband Connection* 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:

- A nonprofit entity should be formed to move the PPP implementation into a second phase process. The name **Allegheny Broadband Connection (ABC)** 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 team and additional civic, institutional and business leaders.
- *Allegheny Broadband Connection* should then move to negotiate and co-found 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.
- The *Allegheny Broadband Connection* organization should then move to submit application for federal and state funding that could support the PPP in its entry and expansion throughout the Potter/McKean County region.
- Further outreach and briefing activities should be initiated under the *Allegheny Broadband Connection* 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.
- The *Allegheny Broadband Connection* “community enterprise” should move to become 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 *Potter County Education Council* in cooperation with the *Potter and McKean County Housing and Redevelopment Authorities* could not have accomplished this assignment without the support and participation of the following:

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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 Potter/McKean County region into the future.

"Electricity lit the way for economic growth in 20th century rural Pennsylvania; broadband connectivity will be the torch that lights the way for economic growth in 21st century rural Pennsylvania."

Douglas C. Morley, AVP,
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