

# Pennsylvania

# Broadband Consortium Pilot Project

## SOMERSET 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 *Somerset County Chamber of Commerce* 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. First stage project activity investigates alternative business cases in Three *Pilot Project* areas in the Commonwealth.

***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 Somerset 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

Somerset County has been branded as “Americas County” and upon visiting this south central segment of the Commonwealth you will leave embracing this description for it truly represents a good place to live, work and play. While population and business growth is a topic of debate, the areas quality of life is considered to be its greatest attribute. In order to spur population increase, workforce and business growth, as-well-as furthering quality of life, increasing availability to broadband services is recognized to be a prerequisite. High-speed connectivity is available in Somerset County, though principally in larger population centers with many areas having limited or no service being available. Wireless data services are also available in limited areas of the county as identified through private partner interviews.

The geographic area under study in this first-phase assignment encompasses all of Somerset County. 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 **Southern Alleghenies Broadband (SAB)** 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 Somerset County area.

Source: FCC

Annual Communications <b>Beginning Baseline</b>			
Consolidated Segment Revenues – <b>Somerset County</b>			
Service Classification	Residential Segment	Commercial Segment	Segment Totals
Voice Services	\$ 20,065,735	\$ 28,663,157	\$ 48,728,892
Video Services	9,881,141	395,724	10,276,864
Data Services	1,707,120	3,587,216	5,294,337
Wireless Services	combined	combined	19,467,228
<b>Annual Revenue</b>	<b>\$ 31,653,996</b>	<b>\$ 32,646,097</b>	<b>\$ 83,767,321</b>
<b>Gross Annual Market - Somerset County ... \$ 83,767,321</b>			

Currently **\$83,767,321** per year flows through Somerset 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 adoption. A strong affinity-thread is indicated in the Somerset County area as revealed through 585 residential and 166 business surveys with over 85% of those surveyed indicating interest in purchasing services through a community-based organization. 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 services delivering voice-data-video connectivity for use in both “Intranet” and “Internet” environments.

**PPP Strategy** - *Southern Alleghenies Broadband* (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 for business, commercial and institutional anchors. This approach establishes a very effective demand aggregation strategy for market entry and offers solid “value-add” propositions to the current marketplace. This construct also moves the PPP forward with an effective value-proposition and a solid “call-to-action” for launching the *Southern Alleghenies Broadband* PPP.

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 Somerset 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 the appetite and interest in a community-based initiative provides

Category	Measure	2004	2009	2014	2019
Population	People	79,079	79,984	80,898	81,823
Households	Units	31,074	31,429	31,789	32,152
Commercial	Units	1,921	1,921	1,921	1,921
Employment	Employees	21,352	21,352	21,352	21,352

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” structure.

Business case parameters requires definition of an effective “market entrance” strategy, followed by identifica-

Source: Census

tion 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 a roster of private sector partners being positioned and interested. It is believed that a unique assembly could be facilitated with both public and private participants that could move the *Southern Alleghenies Broadband* program to market entry 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 Somerset 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 *Somerset County Pilot Project*.

*“Rural broadband availability has significant hurdles to be addressed from both a technological and financial perspective. The PPP attempts to address both of these areas.”*

Richard W. Stern,  
Somerset Trust

## FINDINGS AND CONCLUSIONS:

- The leadership team assembled through the Somerset County Chamber of Commerce 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.
- The stakeholder arena in support of the project is currently comprised of membership on the leadership team. With continued support from the 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 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 genuine 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 further public sector collaboration. 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 Somerset area. The community will respond to a “call-to-action.”
- Rural broadband development is becoming a priority of both federal and state agencies with subsidy and incentive programs in place. There exists numerous paths for soliciting funding for the Somerset 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.



# Recommendations & Acknowledgements

## RECOMMENDATIONS:

- A nonprofit entity should be formed to move the PPP implementation into a second phase process. The name **Southern Alleghenies Broadband (SAB)** 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.
- *Southern Alleghenies Broadband* 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 *Southern Alleghenies Broadband* organization should then move to submit application for federal and state funding that could support the PPP in its entry and expansion throughout the Somerset County region.
- Further outreach and briefing activities should begin under the *Southern Alleghenies 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.
- *Southern Alleghenies Broadband* 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.

*As rural communities attract new residents and businesses, it becomes evident that we must get ahead of the broadband curve. We need a solution to not only catch-up but to insure proper positioning for the digital future. A new, innovative approach is called for to address growing telecommunication demands if we are serious about competing in the global marketplace.*

Hank Parke, PBS Coals, Inc.

Collaboration has been the cornerstone of this project with participation from virtually all sectors of the community. The *Project Leadership Team*, lead by the *Somerset County Chamber of Commerce* could not have accomplished this assignment without the support and participation of the following:

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- Windber Research Institute - Steve Ahern - [sahern@conemaugh.org](mailto:sahern@conemaugh.org)

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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 region into the future.



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