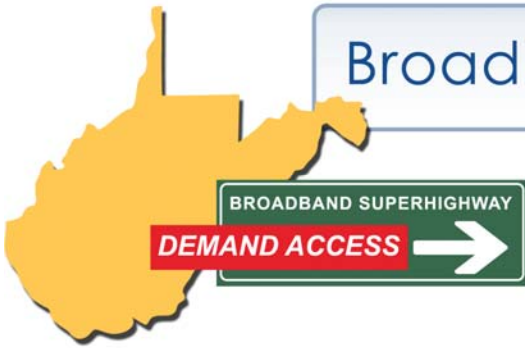


Broadband Issue Background



After President Barack Obama signed the American Recovery and Reinvestment Act of 2009, the state of West Virginia was presented with a golden opportunity, a chance to forge purposefully ahead with 21st Century technology that could virtually guarantee future economic growth.

But now, West Virginia teeters uncertainly on the brink of squandering that opportunity, of plunging into a ravine of lost jobs, lost prospects for business development, and lost hope.

What brought us here?

The state applied for and received a \$126 million federal grant through ARRA for development of a high-speed Internet program known as the West Virginia Statewide Broadband Infrastructure Project. The National Telecommunications and Information Administration (NTIA), which advises the President on broadband policies, signed off on the ambitious project to bring about statewide access to the information superhighway, under oversight from the Recovery Accountability and Transparency Board (RATB).

In its application, the state indicated it intended to build “middle mile” Internet infrastructure that would benefit government agencies and schools, as well as 110,000 businesses and 700,000 households. No longer would West Virginia rank 48th in broadband availability. No longer would 40 percent of West Virginians wander in the digital age with no access to the Internet at all.

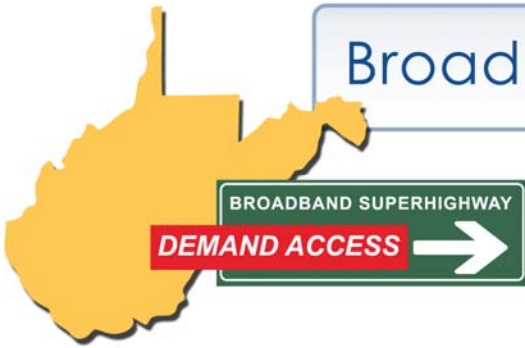
Just as the late Sen. Robert C. Byrd and others brought the interstate highway system to West Virginia a generation ago, this generation would bring state-of-the-art broadband access to Generation Next, so that our children and grandchildren wouldn’t need to leave us behind to find the happiness and prosperity that come with meaningful jobs.

But we all know where roads paved only with good intentions lead.

The state, under the direction of Commerce Secretary Kelley Goes, formed the West Virginia Broadband Council to map out strategies for the project. Citynet actively and enthusiastically participated in the Council’s efforts, even though its own application for NTIA funding had been denied.

To accomplish the project’s goals would require an open-access model in which Internet infrastructure is used by all carriers at a nominal rate that covers normal operating costs. But when it became clear that Secretary Goes instead planned to promote a “last mile” program that would benefit only Frontier Communications, the successor to Verizon of West Virginia, Citynet and others formed the West Virginia Broadband Coalition in protest.

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What went wrong?

As it's shaping up, the State Plan would earmark as much as \$69 million to Frontier Communications and leave the state with little to show for it. Unlike in other states, Frontier will continue to own the physical assets paid for with stimulus grant money. In addition, the state has

not established a reduced rate schedule for Internet access in exchange for this largesse. In fact, Frontier will be able to use its existing rates, which are much higher than in surrounding markets.

What's behind the state's apparent generosity toward Frontier? One can only guess at the political gamesmanship that has taken place behind closed doors. It's interesting to note, however, that Verizon's controversial sale to Frontier quite suddenly morphed into a noncontroversial transaction on the fast track, even capturing the local Communications union's blessing, along about the same time that the state's "transparent" broadband project turned opaque.

The consequences of the State Plan range from unconscionable to tragic.

By moving ahead with providing "last mile" technology at artificially inflated prices, schools and state agencies face the absurd prospect of being unable to afford the very technology that should allow West Virginia to align with the rest of the country.

Frontier, as a virtual monopoly with a \$69 million taxpayer-funded windfall, can dictate access and pricing in perpetuity. No other private carrier could hope to match that kind of capital investment because no other carrier will benefit from this state-sponsored corporate welfare.

Instead of an open marketplace in which competition drives quality increases and price decreases, businesses and individual consumers will suffer the whims of Frontier's Wall Street shareholders. More tragic still will be watching Generation Next leave West Virginia in their rear-view mirrors on the very interstate highways that Sen. Byrd fought so hard in Congress to bring to his beloved home state.

West Virginia needs to stop this runaway train dead in its tracks. Citynet and other business leaders urge the state to re-examine its ill-fated plan, wipe the slate clean and start over on building a truly transparent broadband infrastructure project that will bring access, competition and fairness to all.