

Senate Utilities Committee
February 2, 2015
Kurt David: Chief Operating Officer Eagle Communications, Inc.

Chairman Olson and members of the Senate Utilities Committee:

Thank you for your time this morning providing us the opportunity to introduce/re-acquaint you with our company Eagle Communications and the exciting services and support we are providing individuals, business and institutions across the many communities we serve.

In a moment I will introduce you to Gary Shorman, our President and Chief Executive Officer. But first I want to let you know a bit about our company and how providing superior and advanced Broadband services is at the forefront of our business.

Eagle Communications is headquartered in Hays. We are a 100% employee-owned company providing Broadband Internet, telephone and video service across 29 communities in Kansas, plus another 30 in Nebraska and Colorado. In Kansas our communities expand as far east as Chapman, west to Goodland and south to Hillsboro/Marion. The communities we serve range from population size of 160 – 20,000. And in many areas we provide Broadband services beyond the reach of the city limits. The communities we serve are rural, but they are proud and thriving parts of our State. And, these communities know the importance of being connected in this economy and thus demand and need Broadband services.

Eagle Communications began offering video services in 1966. In 2002 we launched our first Broadband Internet services becoming the first provider of Broadband service in many of the communities we serve. Since 2002, Eagle Communications has invested over \$25 million dollars to continue upgrading our service delivery technologies and equipment to ensure our communities continue to have access to the most advanced offerings and highest speeds possible. In the communities we serve, other providers are not the only “gig in town” – in fact incumbent operators in many of our communities have failed to deliver Broadband services.

Eagle Communications has one, simple goal: Provide efficient and high-quality communication services to customers in the communities we serve.

Our Gig – There Is More Than One Way To Deliver Service

Eagle provides Broadband services via a hybrid fiber/coaxial cable system and yes we also deliver service via fiber to the home and premise. But here lies an interesting point that you as members of the Senate Utilities Committee should understand. Fiber to the Home/Premise is “sexy”. It is the delivery mechanism that now many customers and communities believe they need to be successful. And we do offer fiber to the home/premise and can offer, and do provide, transport of data of up to 10 gigabit.

But, “sexy” comes at a cost. In some cases fiber to the home/premise is the best mechanism. But in so many cases, which we work through with our communities and customers via discussions of needs and

applications, fiber to the home/premise is not the most cost effective solution. Upgrades of our existing hybrid fiber coax systems have resulted in near 30,000 homes being provided speeds of 50Mbps – homes that originally had no Internet service available. These upgrades have come at a fraction of the cost of complete overbuild systems. Further upgrades of these same hybrid fiber coax systems will soon deliver 1 Gig service at 10% of the cost to overbuild with fiber to the home/premise. **That is efficient and cost effective.**

As you consider funding to boost Broadband availability across the state, we encourage you to be open to technologies available, and not just with the present “buzzwords” of fiber to the home/premise.

Capacity and Usage Are Not The Same

Today our hybrid fiber/coax system delivers residential speeds up to 50 megabit per second service and can be expanded to 100 megabit per second service and beyond with some customers receiving speeds of 300 Mbps. By extending our fiber, customers today receive up to 10 gigabit service. Interestingly, most businesses in these communities find 30 megabit service is often sufficient. Yes, some commercial and industrial clients require and are provided the higher speeds available. Two institutional customers in particular though highlight the difference between capacity and usage – in these instances transport via fiber to the premise of 2 Gbps service is provided – their peak usage in a day? - Typically 125 Mbps – 175 Mbps.

But we do recognize equipment and physical plant must be scalable as these clients’ requirements will increase in the future. Hence, we do not say our service is “good enough”. Fortunately our industry has a research organization CableLabs which has as its sole purpose the development of products like Broadband service that can be delivered quickly and cost effectively across a variety of platforms – primarily leveraging existing plant and infrastructure – not costly overbuilds of fiber to every home/premise. Again, the research and development at CableLabs has and will continue to allow us to upgrade facilities at potentially 10% of the cost of overbuilding.

CableLabs has most recently launched DOCSIS 3.1 technology which will allow providers like Eagle Communications to offer full gigabit service to our residential and business customers utilizing technology already in the ground. In fact 10 Gbps service will be available (download) with 1.5 Gbps up. No overbuild costs – no multi-million dollar investments on the part of our communities to deliver the speeds they will need into the future – no government subsidies, grants or loans.

Multi-Million Dollar Investments – The Government and Private Capital

Let me take this opportunity to move to the subject of multi-million dollar investments for Broadband services. Eagle Communications is a 100% employee-owned company. The \$25 million we have invested is our own private-capital investment funded with the support of our local commercial banks.

Not government subsidies, loans or grants. We are proud of this fact – and we believe when it can be achieved via private-capital investment the taxpayers of the state of Kansas are best served.

We have been and will continue to be very outspoken about use of government funding and support that is ill invested in a community and areas that are already served by competitive, privately-capitalized providers. After all, why would taxpayers want to spend their dollars where private risk capital is already providing and/or willing to provide service?

We are not naïve though. Areas do exist where it is not economically viable (the current provider cannot make a business case for providing the service). In those instances, government support is necessary. We simply ask – and believe Kansas taxpayers demand – that support be invested wisely and preserved for those circumstances where it is truly necessary. And then, have the community/area work with potential providers to develop the mechanism that is most cost-effective and scalable to support the growing needs.

Encourage our communities to work with their providers and be willing to explore all available technologies. Then, when funding/support is necessary, don't fund areas where an unsubsidized competitor exists. Private capital investment is at work in Kansas to deliver Broadband services – and needs to be further encouraged both for the benefit of Kansas taxpayers dollars, but also to ensure competition and that the best, most cost efficient technologies continue to be developed and implemented.

Closing

We at Eagle are proud of the positive, constructive and collaborative relationships we have with the communities within our footprint. It is important that communities and providers work together in a smooth and cooperative fashion. This is how the best decisions and solutions are created. We know this as a company, and our 275 employee-owners know it too. Providing quality customer service isn't just a slogan in our company – for as our company literature proclaims “Doing The Right Thing ...So we can face you in the supermarket tomorrow”.

Not All Politics Is Local

Broadband service nationwide, not just in Kansas, is being impacted by proposed legislation and regulation from Washington. Gary Shorman, Eagle's President and CEO serves on the Board of Directors of the National Cable Telecommunications Association and the National Cable Television Cooperative.

These two groups (NCTA and NCTC) are instrumental in helping us to understand the impacts of legislation and regulation. The NCTC in particular has a mission to assist providers in small and medium sized communities – like so many in Kansas.

I'd like to now offer Gary the opportunity to update you on activities in Washington and how these could impact us here in Kansas.