

TESTIMONY OF MARK MEYERHOFER
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on

Broadband Deployment and Adoption

before the

Committee on Small Business
Subcommittee on Health and Technology

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Good Morning. My name is Mark Meyerhofer, Government Relations Director in the Northeast-Western New York region for Time Warner Cable. Thank you for inviting me to testify today regarding rural broadband.

Time Warner Cable was formed in 1989 through the merger of Time Inc.'s cable television company, American Television and Communications Corp., and Warner Cable, a division of Warner Communications. Time Warner Cable offers residential video, broadband, digital phone and home monitoring and security services throughout its New York State footprint; as well as data, video and voice services to businesses of all sizes, cell tower backhaul services to wireless carriers, information technology solutions and cloud services. The Company also provides customers with exclusive, local, all-news TV channels in New York, North Carolina and Texas that provide viewers with content targeted to their community interests and concerns.

Time Warner Cable is among the largest providers of video, high-speed data and voice services in the United States, connecting more than 15 million customers to entertainment, information and each other in 29 states, employing over 50,000 people across the U.S. Based on year-end 2013 data, TWC has approximately 11 million residential high-speed data subscribers and 517,000 business high-speed data services subscribers. Time Warner Cable is headquartered in New York City.

Rural Broadband Deployment in New York

Time Warner Cable is the leading broadband provider in NYS, offering reliable and affordable high speed broadband to over 2.3 million customers. We also provide video service to 2.6 million customers and voice service to 1.2 million customers, as well as Intelligent Home

security and monitoring. Time Warner Cable also serves approximately 120,000 businesses across the state. We are a major employer with roughly ten thousand employees and a local presence in communities throughout the state. We pay approximately \$450 million annually in employee wages, and our state and local taxes and fees exceed \$270 million each year.

Investing \$25-30 billion of private “at risk” capital since 1996, Time Warner Cable has deployed broadband infrastructure throughout its footprint. We continue to enhance our infrastructure to benefit our customers and the communities we serve, investing \$2 billion in New York State in the last four years alone. In the 27th Congressional District in 2012 and 2013, we built over 335 miles of new lines, passing over 1,000 businesses and nearly 3,000 homes.

Time Warner Cable’s substantial and sustained investment of private, at-risk capital has resulted in our company passing approximately 96% of the homes and businesses in our New York State footprint. Access to broadband for New Yorkers is higher than the national average, with 95% generally having access and two-thirds of New York residential customers choosing cable broadband. These investments were made, and this success achieved, in a regulatory and statutory environment that encourages innovation and investment. However, it remains extremely challenging to extend broadband to the most rural areas of NYS, where geographic isolation and topographic issues make it economically infeasible for companies to reach these areas – investment simply cannot be recouped before it is time to reinvest.

Government's Role in Spurring Deployment in Unserved Areas

Time Warner Cable believes government has a role to play in helping to meet broadband needs in these unserved areas, and that properly structured programs or partnerships can help achieve rural broadband deployment goals.

Any government-sponsored program or partnership should be guided by core principles. First, such programs and partnerships must be focused on unserved areas so taxpayer dollars are not wasted duplicating existing, privately funded networks. When taxpayer funds are used to overbuild an existing provider, the result is unfair competition for a limited number of customers. Government should not pick winners and losers in this competitive environment but instead focus limited taxpayer funds on unserved areas that need it the most. Second, government programs need to focus on last mile services, which is the most difficult and costly part of deployment. Third, programs should be technology and provider neutral, so all providers and technologies are eligible to participate. Fourth, the costs of these programs should be broadly shared rather than paid for by a tax or fee on a specific set of consumers or taxpayers. If rural broadband deployment is the public policy goal, the cost should be born as broadly as possible and the deployment cost to the individual consumer should be as low as possible. Finally, to encourage the broadest possible private participation in any government-sponsored program, any funding or incentives should come with no strings attached, so companies can own and operate the new networks and integrate them fully into their existing infrastructure and business plans.

NYS's ConnectNY program created by Governor Cuomo is a good example of an effective and well-structured public-private partnership program. Time Warner Cable received the largest ConnectNY grant and is now investing \$7.1M in partnership with New York State to

provide rural broadband for 52 projects in 22 counties and more than 40 towns across the state. Our ConnectNY project will connect more than 4,100 previously unserved homes, business and community institutions to high speed broadband. We expect to complete these projects by the end of 2014. ConnectNY has a strong focus on unserved areas and a robust review process to prevent overbuilding; the costs are shared broadly through state bonds; it is provider and technology neutral; and there are few if any strings attached to network operations.

Time Warner Cable also supports the NYS Rural Broadband Deployment Act (S.5481-A) advanced by state Senator George Maziarz (NY SD 62, Newfane) because it focuses on unserved areas, is provider and technology neutral, and the costs are shared broadly through the state's general fund. This bill would create a 100% refundable tax credit for rural broadband deployment available to residents and small businesses. Deployment expenses are refunded over five years and available for unserved areas only. The tax credit program would be technology and provider neutral and the provider contribution is not eligible for the credit. This bill passed the state Senate unanimously in June 2013.

Rural Broadband Adoption in New York

While the government's role in spurring broadband deployment in unserved areas remains limited, we believe there is a broader role for government in broadband adoption. New York's adoption rate of 70% is higher than the national average of 66%. Roughly one-third of Americans (and 30% of New Yorkers) with access to a broadband connection choose not to get connected at home. Further, adoption is not consistent across groups, where senior citizens, people with lower incomes and those with less education adopt at far lower rates. Aging

populations, lower socio-economic status and lower educational attainment can often characterize NY's rural areas.

The principle reasons cited for not adopting broadband are digital literacy and relevance. We should all work together to encourage adoption and Time Warner Cable has participated in numerous adoption programs, as noted in the attachment. A small investment in educating consumers about why broadband is relevant to them can be highly effective in increasing adoption rates, especially in low-adopting populations.

Conclusion

Time Warner Cable believes that private investment has resulted in remarkable deployment success in NYS and in the US. This investment has fueled innovation and the tremendous growth of broadband networks and services that we see today. As a general principle, we believe that government programs designed to address the needs of unserved areas in rural NYS and America must contain the guiding principles highlighted above. We also support government efforts to increase broadband adoption.

Time Warner Cable looks forward to working with this committee on this issue. Thank you for the opportunity to testify today. I am happy to answer any questions you might have.