POLE REPLACEMENT EXPLAINER

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SUMMARY

- Broadband has become a critical component to the lives of almost all Americans, and policymakers should continue exploring methods of improving adoption and access.

- While most efforts to increase access to broadband focus on direct monetary subsidies, reducing barriers to deployment can help maximize subsidy dollars and incentivize private deployment of critical infrastructure.

- Pole replacement costs present an outweighed barrier to deployment, and action at the federal level has yet to provide the necessary relief.

- States should act quickly to better apportion the costs of replacing the pole between the owner of the pole and broadband providers, as well as extending a cost-sharing regime to all poles.

BACKGROUND

Broadband has become the lifeblood of communities across the nation. Kids complete schoolwork and play games online. Employees can take meetings, share documents and stay organized via tools like Zoom, OneDrive or Asana. Patients can meet virtually with their doctors, ensuring they can get expert medical advice without the additional burdens of travel or perhaps exposure to sick patients.

To help maximize these benefits, policymakers across the country have begun exploring ways to incentivize broadband deployment. Proposals have, thus far, mainly taken the form of direct subsidies. In many communities, there just is not enough potential revenue to justify private deployment. Therefore, public funding can be used to make the business case viable. Other efforts include things like municipally owned broadband networks, though these are often fraught with potential hazards.

In alternative, or even in addition, to a more direct approach to supporting deployment, regulators can also help spur deployment by reducing barriers for private industry. As R Street highlights in its annual broadband scorecard, everything from access to public rights-of-way and construction permitting to local franchising and zoning laws can have a direct impact on a broadband provider's ability to deploy infrastructure. Lowering these barriers to deployment can have a direct impact on broadband deployment.

POLE ATTACHMENTS AND REPLACEMENTS

One key factor in deploying infrastructure is access to utility poles. Under federal law, the Federal Communications Commission (FCC) has the authority to "regulate the rates, terms, and conditions for pole attachments to provide that such rates, terms, and conditions are just and reasonable, and shall adopt procedures necessary and appropriate to hear and resolve complaints concerning such rates, terms, and conditions." State governments have the authority to opt-out of the federal regime, regulating attachment rates for these poles as well. However, the authority granted to the FCC only extends to investor-owned utilities, not cooperatives or municipally owned utility poles. This has led to rates significantly higher for access to the infrastructure, with limited ability to rectify the issue at a federal level.

In addition to access to the utility pole, providers bear significant costs replacing the pole. Often, when attaching broadband infrastructure, the existing pole must be replaced because it cannot accommodate the infrastructure. However, the entire cost of the replacement often falls to the broadband provider, while the value of the replacement goes to the pole owner. The FCC recently clarified that when the replacement is not entirely precipitated on the new broadband infrastructure, the owners must share in the cost of replacement. However, like attachments, the jurisdiction of the Commission is limited and the clarification does not fully provide relief to broadband providers.

NEED FOR STATE ACTION

Providing broadband should remain a key priority for lawmakers. However, direct subsidies for deployment necessarily come from the pockets of the taxpayer, and often can lead to overbuilding and waste. That is not to say that state legislators should consider direct support, but it is critical that barriers to deployment are limited to maximize the value of each dollar spent.

To that end, state legislators should explore cost-sharing regimes for pole replacements.

Pole replacement costs have become a significant barrier to deployment, especially in rural areas. During one deployment project in New York, Charter Communications found that pole replacement costs constituted 25 percent of the total costs. For rural areas where the business case for deployment is already a difficult proposition for broadband providers, the additional costs of replacing poles will only leave more communities unserved. While the FCC has taken steps to clarify the existing regime, it has yet to provide fully the necessary clarity and the regime only applies to investor-owned utilities.

States can take the next step by requiring all pole owners to share the costs of replacing utility poles, especially in rural areas. Specifically, The Internet & Television Association (NCTA) suggests that "the new attaching entity should be the remaining net book value of the pole being replaced." By carefully allocating these costs for all utility poles, broadband providers will face less cost when physically deploying the networks. This, in turn, makes more communities and neighborhoods profitable for deployment. With increased competition, consumers will have more options at lower costs.

CONCLUSION

Broadband is more important than ever. Policymakers around the country should continue to explore different avenues for increasing access to high-speed connections. While subsidies take center stage, it will be critical to take steps to reduce existing barriers to deployment. Pole replacements currently present such a barrier, and state legislators across the country should take steps to share the costs between pole owners and broadband providers more equitably.

CONTACT US

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