



Dt: June 29, 2022

To: Chairman Collins
Chairwoman Gregoire
Vice Chair Edwards
Vice Chair Haddad
Senator DiZoglio
Senator Pacheco
Senator Timilty
Senator Fattman
Senator Tarr

Representative Holmes
Representative Connolly
Representative Hawkins
Representative Sabadosa
Representative Doherty
Representative Consalvo
Representative Ramos
Representative Scanlon
Representative Vieira
Representative Orrall
Representative Pease

Cc: Senator Susan Moran, Senator Julian Cyr, Representative Sarah Peake

Fr: Steven Johnston, CEO & Executive Director, OpenCape

Re: Video Testimony to the Joint Committee on Bonding, Capital Expenditures and State Assets

Chairman Collins, Chairwoman Gregoire and Committee Members,

Thank you for the opportunity to testify via video on Friday. Below is a simple overview of the four points I touched on during my testimony.

Over the past six years, not-for-profit OpenCape Corporation utilized the \$40M Federal BTOP grant we received and has worked steadily and quietly to counter the declining broadband services and spiraling costs associated with the national monopolistic incumbent providers. **We have organically grown a successful, celebrated, state-of-the-art fiber optic network without additional taxpayer funds.** The OpenCape network is on par with the most technically advanced networks in the world and while successful, future growth to make a meaningful impact will take many years, our communities are desperate for **CHOICE** and for better service **NOW!**

1. Internet Service currently provided by Comcast on the Cape and Islands is monopolistic, erratic, uses obsolete technology, and in many cases barely meets the FCC minimum thresholds of 25/3 mbps. OpenCape offers a minimum of 250 mbps down/125 mbps up for \$80 for small businesses and \$55 for residential, which is well below other providers. I shared the example of Falmouth Main Street businesses not being able to process credit cards with

their Comcast connections. OpenCape stepped in and built fiber on Main Street and now we connect 50+ businesses and plan on growing that to 200+. We can recreate this in many Cape and Southeastern downtowns, with the proper funding.

2. Recently Senators Moran and Cyr offered an Amendment to the Senate version of the General Government Bond Bill, \$125M Senate Amendment #93, for OpenCape's Google Fiber Partnership. For the last 8 months, OpenCape has been working with Google Fiber, who has agreed to lease fiber from OpenCape and spend \$125M to expand service to 100,000 households on the Cape and Southeastern MA. OpenCape needs to secure \$125M to match their commitment for \$250M total. This would change the paradigm in the Commonwealth and introduce a new ISP provider that could offer competitive services to other areas in the future. Unlike the monies that the Commonwealth spent in Western Mass, approximately \$118M, where the national providers put up \$0, this plan offers real, tangible assets invested in defraying costs. We have proven our ability to successfully manage and expand the OpenCape network and provide real and measurable value to businesses, municipalities, and residents in our service footprint. Why would the Commonwealth not want to help us fully leverage our existing network and a \$125M commitment from Google Fiber?
3. Where could this \$125M come from? While we are big fans of rail Investment, it is worth pointing out that as we look at the potential investment of East-West rail, as being one way to expand access to labor markets. **I simply question investing in East West Rail when we haven't connected our citizens and businesses to robust, reliable, affordable Internet connectivity. It is significantly easier and cheaper to move data vs people.**

For example, from the Mass DOT East- West Study. The ridership range was produced by two independent forecasts, with different assumptions, that used two different proxy rail corridors

- Low of 922 to a high of 1,554-weekday passengers
- Estimated ridership of 239,720 – 404,040 annually by 2040
- Cost per passenger annually \$10,000 to \$11,385
- The capital costs, expressed in 2020 dollars, range from \$2.4 billion to \$4.6 billion.

In comparison, according to the 2020 census, Cape Cod has 228,996 residents and the Cape Cod National Seashore welcomed 4.1 million visitors in 2020.

- 1000,000 households = average of 2.2 people phh. Per person investment is \$1,136. or \$2,500 per household, projected completed in three years. **OpenCape is seeking 2.7% (\$125M) of the total projected cost of the \$4.6B projected total cost of East West Rail**

4. Lastly, Massachusetts is losing ground to other states. On December 14th Governor Baker signed the \$4 billion American Rescue Plan Act and Surplus Tax Revenue Spending Bill that included \$50M for broadband. On the same day, the Commonwealth of Virginia's Governor announced \$2B of funding for broadband! At this rate, the next round of innovation and growth will not come from Massachusetts.

Again, we are seeking \$125M to make substantive and lasting changes in internet service for the Cape and Southeastern MA. I have attached additional information on OpenCape for your review. Thank you for your time and consideration.



About OpenCape:

In 2009 then Governor Deval Patrick supported OpenCape's efforts to qualify for the American Recovery Act's Broadband Technology Opportunities Program. OpenCape received \$32 Million in Federal Funds and the Commonwealth provided \$5M in matching funds for which they received 12 strands of fiber on the OpenCape Network. With these funds, OpenCape built a 350-mile fiber optic middle-mile network, connecting in Boston and Providence and touching approximately 55 towns. Since then, we have grown to over 550+ miles of fiber across Southeastern MA, the Cape and Islands and we now connect hundreds of customers, from schools, hospitals, public safety, municipalities, businesses and even some residents. *Over the past six years, OpenCape has worked steadily and quietly to counter the declining services and spiraling costs associated with the incumbent providers. We have nurtured and grown a successful, celebrated, state-of-the-art fiber network without any funds from taxpayers or the Commonwealth!*

Our Vision and Mission:

Vision: Advocate for choice in internet connectivity in our communities to improve the quality of life across our region while working to address the digital divide and ensure access to all who wish it.

Mission: Provide local, reliable and affordable broadband access through our state-of-the-art 100% Fiber Optic Network.

Policy Priorities

#1. Educate Leadership on Why Future-Focused Internet Standards are so Important!

In a post-pandemic world, the impact that connectivity has on our lives and communities is omnipresent and powerful. Today robust, reliable, and affordable connectivity is a vital tool as our economies grow and evolve. From public safety to telehealth, to remote education and work to entrepreneurship and revitalizing Main Streets and downtowns. Never in American history has the ability to affordably and reliably connect been more important. OpenCape regularly receives feedback from the community about how the lack of reliable and affordable broadband negatively impacts their daily lives. Hear what residents and businesses say:

Customers pay \$300-\$400 a month for the fastest internet available from the only company available and it could not handle the demand. We need more robust access. We were forced to choose between our children's school and our business daily.
Josh. Dennis

The internet slows down dramatically every evening when people get home from work and go online to game. This interferes with me connecting to Cape Cod Hospital to do my evening medical work
Dr. Bruce, Yarmouth

As an inn owner, guests report poor internet performance on TripAdvisor and our reputation suffers. Internet performance is critical to travelers who need to connect for work while vacationing. The poor connectivity we have directly impacts my business.
Stanlev. Provincetown

Working from home, and transferring data to and from my company is painfully slow and unreliable. How are we supposed to live here and work with this failing infrastructure?
David, Falmouth

#2. Create a Broadband Plan and Strategy for The Commonwealth

As one of 16 states without a dedicated broadband office, it is evident that the Commonwealth has not made the necessary preparations to ensure that all corners of the state are being represented equally when it comes to digital access, support, and planning. Southeastern MA, The Cape and Islands has been overlooked time and time again despite raising this issue with the governor, EOHED and MBI.

FACT: In the last six (6) years The Commonwealth has spent approx. \$118M connecting Western MA. Besides the initial \$5M OpenCape received in 2009, just \$190,000 has been invested in broadband in Southeastern MA, The Cape and Islands!

#3. Utilize Cares Act, ARPA and Infrastructure Dollars Appropriately

Simply put, infrastructure funds are meant for areas that currently do not have access to internet access above the minimum FCC definition of 25mbps download and 3mbps upload. ARPA funds can be used by states with much greater discretion in regions that may have areas where incumbent providers are not meeting customer needs or failing to regularly meet the 25/3 minimums. The Cape and Islands are particularly impacted by these issues. ARPA funds also require providers to build to 100mbps symmetrical minimums; only OpenCape already does this in our region. Our minimum service level is 250mbps down and 125mbps up.

#4. Future-Focused Solutions vs Bad Band Aids

Access to once-in-a-lifetime funds available via the Cares ACT, ARPA and infrastructure legislation should be met with more future-focused strategic thinking and planning. To date, the Commonwealth has approached broadband planning with a band-aid approach, making short-term and sporadic investments. Using these vital funds to subsidize programs, mostly via national providers, achieves nothing but temporarily offsetting costs and kicking the can down the road. Ultimately, when the funds are exhausted, nothing will have changed and the incumbent providers can claim victory. OpenCape demonstrates that we can meet demand, lower costs dramatically and provide great, robust service and competition for everyone. That is why over 40 towns are currently building or have built their own Broadband Networks, including FalmouthNet.

#5 Ensure Massachusetts Continues to Lead

Residents and businesses take pride in the fact that Massachusetts is revered worldwide as a hub of innovation, technological growth and collaboration. How can we be a leader in these categories if we fail to invest wisely? On December 14th Governor Baker signed a \$4 billion ARPA spending bill that included \$50 Million for broadband. In comparison, on the same day, Governor Ralph Northam of Virginia announced over \$700 million in funding to expand broadband access to all Virginians. Later that amount was increased to \$2B. In short, we are falling behind.

#6 Leverage the Most Advanced 100% Fiber Network in our Region

The BTOP Program provided the Commonwealth with a gift: a state-of-the-art fiber network that is currently underutilized. OpenCape is doing great things, providing robust and reliable service to hospitals, public safety, schools, businesses, and some residents; however, we could do so much more with an investment of ARPA dollars. OpenCape's 100% fiber network is on par with the most sophisticated networks in the world and can deliver 400 Gbps to customers. No other provider in our region can say that.

#7 Robust Digital Access Goes Hand in Hand with Housing

Across the Commonwealth housing is a significant issue, on the Cape housing, particularly workforce housing, is a critical need. But what good is housing if residents and workers can't work remotely in a productive and efficient environment online? We must look beyond our traditional thinking about a workforce being limited by physical geographic boundaries and support. People today want to live near our coastlines, in a work anywhere environment. Why would we not want to attract those people to our communities?

#8 "Overbuilding" vs Competition

Those inclined to support the status quo, where monopolistic national providers have been quick to use and indoctrinate this term in the hearts and minds of municipal and state leaders. The term "overbuilding" has been hijacked and used to defend the big ISPs. What some call 'overbuilding' should be called by a more familiar term: 'Competition. 'Overbuilding' is an engineering concept; 'competition' is an economic concept that helps consumers because it shifts the focus from counting broadband networks to counting the dollars that consumers save when they have competitive choices.

Financial Strength:

While growing its footprint from 350 miles to 550 miles OpenCape continued to boost its financial performance, while maintaining liquidity that exceeds industry norms. What does this mean?

1. Operating Cash Flow (for a nonprofit, akin to pre-tax income) has grown from \$105K in 2017 to \$1.2M in 2021.
2. In relative terms, that cash flow results in the annual return on investment growing from 0.4% in 2017 to 4.8% in 2021, proving OpenCape will always maximize the utilization of grants, donations and operating revenues.
3. OpenCape manages a strong balance sheet with a Liquid Unrestricted Net Asset ratio/reserve of 8.4 months, almost 50% more than nonprofit industry standards. OpenCape was well prepared to weather the impacts of COVID,
4. For 16 months during 2020 and 2021. OpenCape donated over \$568,000 in services to customers who needed assistance during COVID.

