

# The City Wire

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## Arkansas tops in broadband competition; public funding concerns remain

By *The City Wire* staff

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The first national study of broadband service finds that Arkansas has the most competitive environment among all 50 states — but at least two Arkansas-based companies have issues with taxpayer-funded competition.

The report was generated by Northfield, Minn.-based [ID Insight](#) and Craig Settles, president of [Successful.com](#) and director of [Communities United for Broadband](#), a national grass roots effort to help communities launch their networks. The study, “The State of Broadband Competition in America – 2010,” based its rankings on market-share distribution analysis of states’ top-10 broadband providers, according to the press release.

“Because competition continues to be a major point of contention within the broadband industry, we wanted to generate an accurate and, above all, unbiased picture of the competitive landscape,” Settles said in the statement.

Arkansas was followed by North Dakota in second place, South Carolina in third, Nebraska in fourth and California in fifth place. Rhode Island scored the last place position.

The report does not necessarily view Arkansas’ top ranking as a good thing. It suggests a counterintuitive outcome in that states with higher incomes, home values and Internet usage have fewer companies offering broadband services. Specifically, the report noted:

- There is a strong correlation between income and home value and the level of competitiveness in a state. As income and home values show an increase from state to state, the level of competition – as measured by the report – decreases.
- States with the largest percentage of Internet users and the highest available speed tend to be less competitive.
- The bulk of broadband stimulus funding did not go to states with the least competitive environments.

Settles and IDInsight President Adam Elliott are using their report to counter claims from private sector broadband providers that U.S. consumers are being well-served by broadband competition and don’t need federal dollars building networks that compete with private sector investment. Settles and Elliot are watching where money is spent from the \$7.2 billion American Recovery

and Reinvestment Act broadband stimulus program. The federal broadband program is regulated by the Department of Commerce's National Telecommunications and Information Administration (NTIA).

### **ARKANSAS CONNECTIONS**

Michelle Stockman, with Little Rock-based Arkansas Capital Corp., said the state is well-served by broadband companies.

“Arkansas has been fortunate to have several broadband service providers to cover the state with a variety of technologies that suit the needs and geography that makes Arkansas unique. Arkansas looks forward to maintaining excellent relationships with all the service providers moving forward to ensure that all Arkansans have fast, reliable broadband access in the future,” Stockman said in an e-mail note.

Len Pitcock, a spokesman for Cox Communications in Arkansas, said the IDInsight study results offer a lesson for state officials.

“We’d hope state and federal regulators will take note. This study supports the contention that there is robust competition in Arkansas and government programs should only be used for areas with absolutely no service at all,” Pitcock noted.

It was [announced in October](#) that Arkansas would receive \$2.1 million in federal stimulus dollars to map broadband access and to help expand broadband coverage in Arkansas. Specifically, the NTIA awarded Connect Arkansas roughly \$1.6 million for broadband data collection and mapping activities over a two-year period, and almost \$500,000 for broadband planning activities over a 5-year period for the state. Connect Arkansas, the designated entity for the state of Arkansas, is a private nonprofit organization based in that state and managed by Arkansas Capital Corp.

Pitcock was complimentary of the Arkansas Capital Corp. effort.

“While most areas in the state have fierce competition for broadband service, there are still pockets with few providers. Through public-private efforts like The Arkansas Broadband Council and Connect Arkansas, each day brings us closer to universal service for Arkansas residents,” he said.

### **PUBLIC, PRIVATE COMPETITION**

Companies like Little Rock-based Windstream complain that the federal government is awarding money to projects where there is already competition or existing options versus building new service to more rural parts of America. Windstream provides rural broadband service to residential customers in 16 states.

Windstream spokesman David Avery cited an example in northern Georgia where federal funding went to the North Georgia Network Cooperative broadband project. That proposed project area already had 90% high-speed Internet service access from multiple existing

providers, including Windstream, which invested their own capital to build out their broadband networks.

While NTIA funding has been used in other states for these types of planning projects, the administration has also distributed money to build out broadband networks.

A study released in November 2009 by the U.S. Telecom Association contends that about 70% of the areas that have received money are already served in part by existing broadband providers.

“By subsidizing the operations of new competitors with taxpayer dollars, the government hampers the ability of existing Internet service providers to compete,” Avery said in an e-mail interview, citing the northern Georgia markets as an example. “Windstream believes federal money is better spent and should be targeted to existing broadband providers — with proven track records — so they can expand their networks into the few remaining areas that lack broadband access.”

### **SUPPORT ROLE**

Windstream is not entirely opposed to federal funds used to expand broadband. Windstream has applied for \$238 million in federal stimulus grants to expand broadband availability and offer faster Internet speeds to more than half a million homes and businesses in rural areas in 16 states. The company would provide \$80 million in funding under the grant applications submitted to the Broadband Initiatives Program administered by the U.S. Department of Agriculture's Rural Utilities Service. The total cost of the proposed project would be approximately \$318 million.

NTIA spokesperson Jessica Schafer says her agency is sensitive to providers' needs, but that a number of reasons can justify spending in areas where service exists.

“To be clear, the fact that an existing provider offers some level of broadband service somewhere within the project's proposed service area does not disqualify the project from funding. Indeed, some amount of overlap is a physical necessity to the extent that the federally funded projects must interconnect with existing facilities in order to provide service,” Schafer said.

Continuing, Schafer noted: “The mere availability of broadband in some form does not necessarily mean that it is fully serving the needs of the community. For example, a level of service sufficient for most household users may be inadequate for hospitals, libraries, schools and businesses seeking to take advantage of cutting-edge services and applications that demand greater bandwidth.”

In theory, the government's investment could help private companies like Windstream and Cox as broadband grant funding for network build-outs are instructed to be built with “open design” plans.

“This feature enables all companies which offer broadband to homes and businesses to use the federally funded facilities to improve their service offerings and reach neighborhoods that are not adequately served today,” Schafer explained.