

# **An Interim Report on the Economic Impact of Telecommunications Reform in Indiana**

## **A White Paper by the Ball State University Digital Policy Institute**

### **Executive Summary**

On March 14, 2006 Indiana Governor Mitch Daniels (R) signed into law the state's most comprehensive telecom reform bill (HEA 1279) in two decades. An update and review of some of the early benefits since this legislation was passed is appropriate. The major findings are:

- **Indiana Remains a Leader in Telecom Reform Legislation**

Indiana's HEA 1279 continues to serve as model legislation as over 20 states have passed telecom reform measures, representing over 50 percent of the U.S. population. Indiana was the first state to ensure that incumbent cable systems were allowed to take fair advantage of the state's new franchise terms upon competitive entry. Indiana leads as one of the few states to encourage long-term, outside capital investment by reducing risk and uncertainty from unwarranted sunset provisions.

- **New Wireline Deployments – DSL**

Digital Subscriber Line (DSL) services have been expanded by major providers since the passage of HEA 1279, reaching a combined 102 new communities across the state. Verizon added DSL capability to central offices in 69 rural communities serving 70,000 southern Indiana customers, while AT&T completed the upgrade of its remaining central offices in 33 rural communities across the state. According to FCC data, from July 1 to December 31 of 2006, nearly 400,000 new high-speed technology lines were installed in Indiana, a 33% increase from the previous six-month period. As of December 31, 2006, Indiana had 1.5 million high-speed technology lines, a 72% increase over 2005.

- **Improved Workforce Opportunities**

Deployment of broadband technology is a well established driver of economic growth. Fortunately, Indiana's regulatory climate is generating increased competition and investment in all forms of digital communications. This leads to better job opportunities for Hoosiers: jobs that will keep our young people in Indiana, jobs that will continue to make our state a leader in the transition to the new global economy. To date, over 2,200 new jobs have been created as a direct result of Indiana's reform legislation.

- **New Capital Expenditures - Infrastructure**

Reform is driving capital investments in Indiana. Telephone companies have reported investment of more than \$516 million thus far in Indiana to bring high-speed broadband and video services to consumers during the past 18 months.

- **Indiana is a Leader in Broadband Wireless Deployment**

Indiana's largest wireless providers, AT&T and Verizon, have invested heavily in the upgrade and expansion of their wireless networks. AT&T has invested over \$21 million in central and northern Indiana in 2007 on new cell sites and enhancements as it continues the migration to third generation (3G) services allowing laptop users to access to the Internet, email, download large files and run business applications in these enhanced service areas. In addition, the expanding broadband infrastructure in Indiana allows deployment of new wireless technology. Research by Ball State University has helped Indiana become a leader in broadband wireless testing and deployment. Washington, Indiana became the third city in the nation and the first in the state of Indiana to launch next-generation WiMAX wireless service in September 2007, reaching more than 6,000 homes and businesses. Other Indiana markets scheduled for WiMAX deployment during the first quarter 2008 will provide new, high-bandwidth Internet services to roughly 35,000 households in both underserved and rural areas.

- **New Competition for Video Impacts Price for Hoosiers**

Indiana's national standing as a leader in high-speed technology has expanded after the passage of telecommunication deregulation. As of January 28, 2008, the IURC had granted 36 certificates of franchise authority (CFA), with one application pending. This includes nine cable firms and 11 telephone companies. The legislation has helped facilitate new video and high-speed Internet competition throughout Indiana. Competing video service is now available from AT&T (U-verse) in select areas of Anderson, Bloomington, Indianapolis, Kokomo, Muncie and Bloomington. Verizon is offering fiber to the household Internet TV service (FiOS) in Fort Wayne, New Haven and Hometown. National research from the FCC and GAO suggest where competition exists, the price of cable service will drop on the average of 15% to 20%. Where direct competition is available or is on the horizon, some cable firms are responding to consumer negotiation and beginning to lower prices to maintain market share. In one case, the cable bill went from \$90.60 to \$65.65. The reduction represents a 27.5% decrease, or a savings of nearly \$300 per year.

- **FCC Attempt to Preempt Indiana Franchise Laws Averted**

In 2006, the IURC successfully argued before the FCC that states were in the best position to deal with their markets, rather than having a single, monolithic policy that could increase the risk of unanticipated or dysfunctional results. Indiana's deregulation laws, along with those of other reform states, were grandfathered.