



A Blandin Foundation Call for Co-op Partners: Broadband is Good and Good for You

Rural Broadband Co-ops

Minnesota's best opportunity for ubiquitous world class broadband

Background

Cooperatives provide the best broadband services in Minnesota.

Started years ago by local community leaders to provide needed rural telephone services, telephone cooperatives have now transformed their copper networks to virtually 100% fiber-to-the-home (FTTH) broadband networks. Starting this investment in their home telephone exchange areas, they have moved into adjacent communities and rural areas due to demand by bandwidth-hungry residents and businesses. Consolidated, Farmers Mutual, Federated, Park Region, Paul Bunyan and West Central are just some of these broadband cooperatives.

Electric cooperatives also provide broadband Internet. Minnesota examples include Arrowhead Electric (FTTH), Mille Lacs Energy and Cooperative Light and Power (fixed wireless) and the Wild Blue satellite consortium. MVTV Cooperative delivers fixed wireless services in Southwest Minnesota, transitioning from their tradition of wireless cable television services. It is interesting to note that Arrowhead Electric follows in the steps of Boreal Access, a cooperative started in Cook County at the dawn of the Internet age to provide dial-up and DSL Internet, thus continuing a tradition of cooperatively provided Internet.

And now RS Fiber Cooperative, a new visionary cooperative entity in south central Minnesota, with engagement of both an agricultural and electric cooperative, plus local units of government, has started construction of a fiber-wireless hybrid network that ultimately will provide FTTH to both cities and farms in multiple counties delivering Gb (1,000 Mb) services to the Internet and through a local community Intranet.

Minnesota's Current Broadband Situation

As noted above, if your community or home is served by a rural broadband cooperative, you are likely to have broadband that exceeds Minnesota's broadband goal of 10 Mb/5 Mb (Download/Upload) and the new Federal Communications Commission (FCC) of 25 Mb/3 Mb. Built with new fiber optics, these networks can be considered "future proof," assuming periodic

installation of new electronics, delivering up to 1 Gb and more. These networks are capable of delivering equally high download and upload speeds, a primary competitive advantage of fiber.

If you live in a rural city, chances are there are at least two broadband providers in your community – the telephone company and the cable television company. Most cable companies have deployed networks capable of meeting the state goal and beyond in and possibly just beyond the city limits, especially in nearby developments with higher density. These cable networks can be upgraded to provide very high Internet capacities (speed) with the latest network equipment. These networks are generally designed to maximize download speeds rather than the symmetric services delivered over 100% fiber networks.

Incumbent telephone companies are required by federal regulations to provide telephone service to everyone in their service areas, from the downtown to the rural countryside to semi-wilderness areas. Telephone companies use relatively old DSL technology to provide Internet services to their residential and small business customers. DSL services are strongly affected by the distance from the phone company electronics to the customer. A customer located near the electronics can get broadband services exceeding the state goal while a customer located three miles away might receive only 1.5 Mb download speeds or less while more remote customers cannot access DSL services. Telephone companies can create new circles of served residents by using fiber or bonded copper lines to connect remote electronics serving more remote customers. Fiber extensions are generally required to provide adequate bandwidth to these remote locations to provide services that meet the state and federal goals.

Broadband is now a top location factor for businesses and residents, especially those who have a choice of where to locate. Multiple studies document this undeniable trend and both realtors and economic developers can verify the difference of marketability of various properties based on Internet connectivity, both at the high end for information technology companies and at the low-end for school homework and home businesses.

Across rural Minnesota, community leaders have been working to overcome the gap between what Internet services are provided and what is necessary to make their areas competitive in attracting people and investment. These efforts are occurring in a growing number of rural counties. This is an arduous path for most local leaders, but since 2003 we have seen successful initiatives in rural Minnesota, including those noted earlier, but also purely public sector initiatives like Windom, Monticello and SMBS in and around Jackson, and in Lake county. These initiatives have not always gone smoothly, but today they provide locally owned and controlled critical infrastructure and service that is fundamental to sustainable community vitality.

Just recently, the FCC announced that four large investor-owned telephone companies have accepted federal monies from the CAF2 or Connect America Fund, a part of the Universal Service Fund, to build broadband networks to 170,335 locations in un- and underserved Minnesota. These funds total over \$500 million dollars, to be spent over the next six years. In return, these companies have agreed to extend broadband much more widely throughout their telephone exchanges, providing near ubiquitous Internet access in their service areas.

Rather than clarify the path to better broadband for underserved communities, the CAF2 program has created additional uncertainty about the long-term impacts of these federal dollars on rural communities' ongoing access to world class broadband.

- CAF2 funding requires networks be built to deliver a minimum of 10 Mb/1 Mb. Some providers are suggesting they will build to a higher standard. What should communities count on?
- When will the deployment occur – the providers have six years to build out these networks – which communities will be first or last?
- Will providers continue to upgrade these networks post-CAF2 or are CAF2 the last investments that these rural communities will likely see for some time?
- In the long run, will these anticipated CAF2-funded deployments advance or hinder sustainable, world class, vibrant communities?

An invitation to explore your role in bringing better broadband to your members

Blandin Foundation has realized that broadband is essential to all of its work – rural economic vitality, equal opportunity, community leadership, and early childhood education.

Rural community leaders now almost universally realize that broadband is essential for their community's long-term economic viability.

In 2005, the Blandin Foundation's Broadband Strategy Board, including six telecom industry executives, agreed to the following vision statement:

To ensure a high quality of life and a globally competitive future for its citizens, businesses and communities, Minnesota is committed to making the necessary investment to become a world leader in the universal deployment and use of ultra high-speed next generation broadband.

Over the years, this vision statement has been a touchstone of the Blandin Foundation's efforts to support rural Minnesota communities as they name and claim their own broadband futures. We believe communities themselves are best positioned to determine their own broadband-enabled futures and what is "good enough" broadband. Already, before a single CAF2 dollar has been expended, many of our community partners are expressing their concerns that networks built only to the 10/1 standard -- or even to Minnesota's current standard of 10/5 -- will not sustain vital communities into the future. When growing numbers of Minnesotans have 1,000 Mb connections, how can a 10 Mb or even a 25 Mb connection be deemed adequate for business, school, health care, and daily living? Clearly the networks that are likely

to be built with CAF2 funds do not meet the Blandin Strategy Board vision established a decade ago and equally relevant today.

So Blandin Foundation is interested in promoting opportunities to increase the role that co-ops play in building a broadband-enabled Minnesota for all.

Successful Partnerships

Selecting partners is a combination of an art form and luck. Blandin Foundation staff has developed a list of partnership characteristics that it believes are essential to success.

1. Partners' mission, values and culture are complementary.
2. Actions and language in developing partnerships reflect a commitment to inclusion.
3. The relationship between partners is characterized by mutual trust and respect.
4. The partnership balances power among partners and enables resources among partners to be shared.
5. Partners establish clear, open and accessible communication channels and practices.
6. Partners are committed to continuously improving the partnership and its outcomes.
7. Roles, norms and processes for the partnership are established with the input and agreement of all partners.
8. Partnerships are reality-based and action-oriented. This requires coordination based on concrete operational capacities.
9. Partners share the credit for the partnership's accomplishments.
10. Partners recognize and acknowledge that partnerships take time to develop and that they evolve over time.

Why cooperatives?

After significant discussion with key stakeholders, Blandin Foundation believes that the best chance for long term, viable investment, deployment and maintenance of world-class broadband networks is significant expansion of rural broadband cooperatives, especially in partnership with local units of government.

- Building a business case for broadband investment in unserved or underserved areas of Minnesota is very challenging for investor-owned providers.
- Cooperatives are member-owned and can be more patient investors with delayed or minimal ROI requirements.
- Community and economic development benefits derived from broadband investments, both the intrinsic values and the increased community sustainability, are highly valued by locally owned cooperatives.
- Establishment of cooperatives may be less objectionable to those who oppose government broadband networks.

- There is an established history of public-private partnerships between government units and cooperatives, such as Arrowhead, CTC, Farmers Mutual, and Federated.
- Returns from successful partnerships remain in the community.

Minnesota has significant cooperative assets:

- Our existing rural broadband telephone/broadband cooperatives.
- Our widespread electric cooperatives with established customer base, technical staff, customer service, fiber optics and utility pole assets.
- Our multi-faced agricultural cooperatives providing services in food, energy and chemicals with assets across wide areas of Minnesota.

To stay strong, cooperatives need customers with broadband and a local economy that has the telecommunications infrastructure required to compete in a global economy. Broadband is necessary:

- So that farmers can collect and share data, participate in markets, understand the weather, order supplies and equipment and enjoy a rural lifestyle. Thriving members make a thriving agricultural co-op.
- For business recruitment to occur that can drive the long-term success of the electric cooperative.
- With changes in health care and education delivery systems that increasingly rely on broadband to connect people to critical community institutions, both near and far.
- As services available over broadband have an ever-greater impact on a rural area's quality of life and overall attractiveness for investment.

We recognize that tug of war that possibly restrains your organization's willingness to become a part of the broadband solution. If you are an existing broadband co-op, expanding beyond your current footprint will be costly and can be risky.

If you are an electric or agricultural co-op, broadband is probably not at the heart of your organization's current mission or expertise and it can involve entering an unfamiliar and competitive marketplace (including CAF2 funded networks) in a dynamic industry.

Yet, if not for co-ops, where else will the organizational capacity, business operations experience and access to capital necessary to build world class broadband networks come from? Rural cooperatives have these assets in abundance. It is time to put them to use on this critical community issue on which economic viability rests. By partnering across the cooperative sectors – with telephone, electric and agriculture co-ops working together – scale, expertise, fiber networks and poles, existing customer base, financial assets and access to capital – are a strong foundation for success.

Blandin Foundation has significant expertise and tools to help facilitate the partnerships necessary to accomplish our broadband vision for rural Minnesota. These include facilitation, technical assistance, targeted financial grants and convening. We are committed to deploying these resources, in collaboration with willing cooperative partners, to expand the reach of cooperatives in delivering broadband services.

We are continuing our outreach effort to find and develop relationships necessary to move this strategy forward. If you are interested in pursuing better broadband in and around your rural service area, please contact us:

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