



THE FREE STATE FOUNDATION

A Free Market Think Tank for Maryland.....Because Ideas Matter

Perspectives from FSF Scholars

April 5, 2013

Vol. 8, No. 10

'Broadband Tax' Will Stifle Investment in TN

by

Deborah Taylor Tate *

[The Tennessean](#)

March 31, 2013

When we see a utility pole, most of us don't give it much thought. However, those big pine poles are an essential part of our sophisticated communications network and, increasingly, our broadband infrastructure.

Poles carry the necessary fiber-optic cables that allow us to connect to vital information and services as well as our loved ones, here or around the world. Those poles are essential to our present-day networks but, more importantly, are critical to the next wave of innovation and investment in our state — not just from cable, telecom and utility providers, but also for every home, school and business in Tennessee.

Access to high-speed Internet has become critical for education, health care and economic opportunities, particularly in rural communities:

- Benton's Smoky Mountain Hams in Madisonville, whose bacon appears on high-end menus all across the country, sells extensively online.

The Free State Foundation
P.O. Box 60680, Potomac, MD 20859
info@freestatefoundation.org
www.freestatefoundation.org

- Lauderdale County schools are putting laptops in the hands of every sixth-, seventh- and eighth-grader, making the world their classroom.
- Quilters across 19 counties in East Tennessee use the Internet to attract visitors to the Appalachian Quilt Trail.

These are just a few examples of the transformative power of broadband technology to connect Tennesseans to an increasingly global marketplace.

However, that continued growth is at risk due to a new “broadband tax” being discussed by our lawmakers. None of this advanced infrastructure is possible without fair and reasonable access to essential facilities, including utility poles.

With some of the highest rates in the entire country — more than double the national average — some legislators want to allow further increases to these pole attachment rates on the backs of small and homegrown businesses as well as Tennessee consumers. This is completely out of step with our Southeastern neighbors and with high-tax states such as California and Massachusetts, which have rates 250 percent lower than Tennessee’s.

In addition, the Federal Communications Commission and the National Broadband Plan have found that high pole attachment rates are a barrier to broadband investment and should actually be lowered — not raised. The national formula used to determine pole attachment rates has been upheld by the courts of appeal and the U.S. Supreme Court. It fully compensates pole owners for their investment plus a reasonable profit and is used by most states across the country.

From Tennessee homebuilders and the more than 45,000 minority-owned businesses represented by the Black Chamber of Commerce to the anti-tax advocates Tennessee Watchdog and Tennessee Tax Revolt, most of us agree that our policy should be to decrease pole attachment rates. The proposed cost increases to broadband providers would ultimately impact all Tennesseans, including our low-income and minority communities. This broadband tax would disproportionately impact those who can least afford it.

If our children are going to compete academically, and businesses are going to select Tennessee over other states for job expansion, and our small businesses are going to thrive, then we need our leaders to do everything possible to encourage investment and innovation and reduce — rather than increase — the cost to access broadband.

Rather than erecting toll booths on the information superhighway in the form of a broadband tax, we should be putting out the low-tax welcome mat and encouraging more broadband innovation and investment throughout this great state.

* Deborah Taylor Tate is a Distinguished Adjunct Senior Fellow at the Free State Foundation and a former Federal Communications Commissioner. She is the first ITU Special Envoy for Child Online Protection. The Free State Foundation is a non-profit, nonpartisan, free market-oriented think tank located in Rockville, Maryland.