

WEST NOTTINGHAM TOWNSHIP

Public Hearing Minutes

Tuesday, May 9, 2017

Chair Tiffany Bell called the public hearing to order at 7:01 p.m.

The following were in attendance: Tiffany Bell, Candace Miller, Charice Russell, Don Armstrong, Dottie Byrne, Dennis Byrne, Chad Repoza, Monica Repoza, and David Ross.

INTRODUCTION

Mrs. Bell announced the purpose of the hearing is to review the past performance of the cable operator, Armstrong, and to identify the future cable-related community needs of the Township. The hearing was advertised properly in the Daily Local News and a notice was placed on the bulletin board at the municipal building. She opened the floor for public comment and asked that anyone wishing to speak should state their name for the record.

PUBLIC COMMENT

Mr. Armstrong wanted to know if Armstrong responded to the letter sent by the Township in April or if they will be adding channels 8 and 13 back into the viewing channels for residents in the township. Mrs. Miller said Armstrong had not responded to the Supervisors request for a red-lined copy of the current agreement. She said she would make sure Armstrong knew that the residents wanted to have channel 8 and 13 included in the available channels for viewers in the township.

Mr. Repoza said he moved to the township on December 23, 2012. Installation of internet service through Armstrong was scheduled for December 27, 2012 between noon and 4:00 p.m. At 4:30 p.m., the technician called to tell Mr. Repoza that he was on his way. Mr. Repoza could not make the later time because he had other arrangements and it was outside the window originally scheduled for service. From that point forward, Mr. Repoza said he has experienced continuous problems with Armstrong ranging from drops in service to significant increase in costs. Armstrong finally completed work in the area around April 21, 2017 resulting in most of the issues being resolved. He said the current zoom internet package offered to customers is priced at \$57.95, which is ideal for most families. It provides 100 MB per second download speed and 10 MB per second upload speed which is sufficient for streaming videos. Mr. Repoza said that the same package 4½ years ago was \$39.95, an increase of 45%. In January 2016, he took advantage of an offer from Armstrong to upgrade to the Zoom II plan for \$48.95; currently that plan is \$72.95, an increase of 26% in less than a year-and-a-half. Mr. Repoza said he switched because in July 2015 he received a warning that he had reached his monthly data allowance due to his family cutting the cord on cable TV and satellite. They began streaming everything via the internet on their phones, laptops, and smart TVs. He said there are a variety of affordable online services where consumers can get premium subscriptions like HBO and Showtime delivered to your home or device. He said he was able to get HD local television channels by installing an antenna and running a cable through his home. He believes the reason for the increase in costs is because there is a growing movement in the US to stream programming, and Armstrong has put caps on data to help recoup lost revenue. He said they have already lost telephone service because of affordable cellular service and now they are losing cable due to online streaming services. He said they need to recoup their business in some other way.

Mr. Repoza said the data allowance Armstrong has in place doesn't make any sense. He used the following analogy: Let's say you have a water main that is shared by 4 people. Each person is being offered ¼ of the main, which can't be done if all four people are using the main at the same time. In

reality, they should each be offered ¼ of the main. In addition to being offered ½ of the main, each person is given 100 gallons of water. Let's say that two of the consumers get a little crazy, using their allotment of water and are cut off on the 26th. Now the other 2 consumers can finally get their water with their half of the main that they paid for. Armstrong only maintains the current bandwidth for the latter part of the month, after data has been capped.

Mr. Repoza said in March of this year, Armstrong raised their prices due to cost of infrastructure. He said this isn't true. Mr. Repoza is a telecommunications engineer and currently works as a systems engineer for the U.S. Army. He procures and engineers telecommunications systems. The costs of the devices have gone down significantly. The Army uses fiber which is more expensive than copper, which is what Armstrong uses. He added that he found information from a CEO of another cable company who said 10 years ago, the cost to replace infrastructure cost 20% of his company's revenue. Today, that cost is down to 1.5% of revenue. To put it in perspective, Armstrong may say that costs are rising everywhere but this isn't true. Mr. Repoza said since December 2013, the cost of electricity provided by PECO, specifically the transmission and generation price by kilowatt has decreased by 26%. On June 1, the cost is expected to decrease again bringing the total reduction to 28% over the past 4.5 years. Where Armstrong has given the consumers a 45% increase in charges. Furthermore, the cost of gasoline has gone down significantly. In 2013, the average cost of gasoline in Pennsylvania was \$3.35 a gallon. In January 2017, the cost was \$2.59 a gallon, a 28% decrease. The cost to heat our home with propane has also gone down about 10% since 4 years ago. The USDA has reported that the cost of food has decreased 1.3%, yet Armstrong has increased costs 45%. Mr. Repoza added he has had some problems with service, which are understandable. A recently upgraded a major line in our neighborhood which took care of the most of the problems. But Armstrong is taking advantage of the consumers because they are the only ones here. It takes a lot of money to run new infrastructure and most companies want a return on investment by getting agreements like this signed for multiple years. Mrs. Bell thanked Mr. Repoza for his comments and research. Mr. Repoza added that the telecommunications lines in the United States are inferior to the rest of the world. He was in South Korea a couple of years ago and their speeds and the service they sell to their consumers is 10 times greater (speeds) and 10 cheaper (cost) than what we have. It is the same in Kuwait. Mrs. Bell asked Mr. Repoza if the issues he was having were isolated to his home or if he knew whether neighbors were having issues as well. He said he saw a few instances on social media where a friend in Rising Sun, Maryland was having trouble with his Armstrong service. Some of the time it could have been just his house, but because they had to replace a main line in the neighborhood, it was probably not just him who was having a problem. Mrs. Bell wanted to know if Mr. Repoza had cable since he had installed the antenna. Mr. Repoza said he only has internet service through Armstrong.

Mr. Armstrong said he has lived in the township for about 10 years. When he first moved in, he purchased a telephone, internet, and cable package for about \$110-120. His last bill was \$191, and there has been no improvement in service. In fact, they stopped offering Channel 8 and 13. The providers say that Armstrong and DirecTV don't want to pay for the programming, but Armstrong and DirecTV say it isn't a money issue. Mr. Repoza added that it is further proof that it is a money thing. He added that the data caps are meant to ease network congestion; but Armstrong just offered a "no data cap" plan for an additional \$50 per month. Mrs. Miller wanted to know when they offered the no data cap plan. Mr. Repoza's answer was April. He added that it will be difficult to get another provider into the area; maybe if Armstrong knows our issues, they will try to work things out.

Mrs. Bell said she asked our Zoning Officer if Oxford had other choices. He said that Upper Oxford has FiOS, but no other choices. There is very little competition outside of satellite.

Mr. Repoza said that he and his wife used to live in Bellaire, MD before moving to the township. Armstrong was the sole provider in that area until Comcast moved into the area, and about 5 or 6 years

ago Verizon FIOS became available. Ninety percent of Armstrong customers switched. They are trying to recoup the lost revenue in communities that have no competition.

Mr. Ross said that the Oxford Regional Planning Committee (ORPC) has engaged in discussions about getting another provider to come into the area. Letters have been written to both Verizon and Comcast saying the region would be happy to consider service for the area. A response has never been received. He said the residents in East Nottingham Township have been very aggressive and have identified staff within both organizations that say they want to do it, yet follow-up seems to lead nowhere.

Mr. Repoza said that his wife's father is the project manager for FIOS in Maryland. He might be able to talk to someone. Mr. Ross wished him good luck because his view is that Verizon and Comcast are colluding with one another, although he can't prove it. Mr. Repoza said that before anti-trust in the early 1990s, the different providers had split up service areas into territories and agreed not to encroach into each other's areas. There has been some movement into specific areas, but it is so expensive to run new infrastructure, companies are looking for a guaranteed return on investment and for municipalities to sign 10-15 year agreements.

Mr. Ross said that Comcast has apparently changed its business model and they plan to offer cell phone service. It will have to cope with gaps in cellular service area or they may be forced into expanding to coverage into areas such as ours. How they will make that work is unclear.

Mr. Repoza said that FIOS might be difficult to get because they are only profitable if 75% of the area they are moving into signs up for service. They have slowed down their installation of infrastructure significantly.

Mrs. Miller said that 10 years ago when the current Armstrong franchise fee agreement was being negotiated, Verizon contacted the Township about a franchise agreement for FIOS. The Supervisors thought it would be good to have some competition. But after a few months, Verizon put negotiations on hold saying they would get in touch with us when they were ready to proceed. We haven't heard anything from them since.

Mr. Ross said that he thinks they could cut a deal with Comcast in terms of what areas they were going to cover because it is more on the purchase end than the delivery of service end that they make their money. He said he doesn't believe you are going to see Comcast putting in new lines to compete with Armstrong because it's basically a natural monopoly in terms of the lines going in. He added that he can't understand why the FCC won't consider Armstrong a public utility. Mr. Repoza said the population would need to be like that of Bellaire, MD.

Mrs. Russell wanted to know what would happen to service if an agreement was not reached by Armstrong and the township. Would residents have cable TV? Mrs. Miller said the agreement being negotiated is for the franchise fee. If there is no agreement, it is the Board's understanding that Armstrong would continue to operate under the current agreement. She did not think that it would interrupt cable TV service to residents. Mrs. Russell asked if the fee is what the township pays to Armstrong for providing service. Mrs. Bell said the township doesn't pay Armstrong for service, rather it is a fee Armstrong pays to the township to be a provider. It is based on the gross revenue for cable TV service only – not phone or internet service or usage. Mrs. Miller said that if everyone in the township decided to get rid of their cable TV and stream their programming like Mr. Repoza, the franchise fee paid by Armstrong would drop to zero. Mrs. Bell added that this year, the township expects revenue from Armstrong for the franchise fee payments to be about \$38,000.

ADJOURNMENT

Mrs. Bell thanked everyone for their comments. The hearing was closed at 7:23 p.m.

Respectfully Submitted,

Candace Miller
Secretary/Treasurer