Testimony of Theodore R. Bolema

Senior Fellow, The Free State Foundation

Regarding SB 637

before the

Energy Policy Committee

Michigan House of Representatives

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Chairman Glenn, Vice Chairman Hauck, Ranking Member Lasinki, and Members of the Committee, thank you for the opportunity to testify on SB 637. I am a Senior Fellow of The Free State Foundation, a non-profit, nonpartisan research and educational foundation located in Rockville, Maryland. The Free State Foundation is a free market-oriented think tank focusing heavily on communications and Internet law and policy. I am an economist and an attorney, specializing in regulatory law, economics, and policy. I have served on the faculties of Central Michigan University and the George Mason University School of Law, and also in positions in the U.S. Department of Justice and the U.S. Department of Energy.

I. Summary of SB 637

If adopted, SB 627 will promote the more rapid deployment of next-generation 5G wireless networks. It will do this by standardizing the regulation of wireless facilities, wireless support structures, and utility poles, and providing for use of rights-of-way controlled by local governments. It would regulate the permitting processes and zoning reviews, prohibit certain commercially discriminatory actions by state or local authorities and electric utilities, and prohibit certain indemnification or insurance requirements. The bill would also cap the amount state or local governments could charge for zoning, permits and other fees.

SB was passed by the Michigan Senate on May 3, 2018, and is now before the House Energy Policy Committee.

II. Benefits of 5G Deployment

According to CTIA, The Wireless Association, 5G networks will be up to a hundred times faster than today's networks and will be able to support up to a hundred times as many devices.[1] A movie that currently takes a few minutes to download over 4G wireless networks will take just seconds over 5G networks.

Two reports, both from April of this year, show why 5G wireless deployment will be vital for the Michigan, U.S. and global economies. The first report by Recon Analytics looks backward at the sizeable economic benefits generated by the United States' leadership in 4G wireless deployment.[2] It finds that U.S. leadership in 4G accounted for nearly $100 billion of the increase in annual GDP by 2016.[3]

The second report by Analytics Mason finds that the United States is third in 5G readiness behind China and South Korea and just ahead of Japan, the U.K., and Germany.[4] This is important because the quicker 5G is deployed, the quicker U.S. consumers will experience the economic benefits of 5G. This applies at the state level as well, so states that deploy faster will have an advantage over those that don't.

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[1] Introductory Comments of Randolph J. May, President, Free State Foundation, "Next Generation 5G Wireless Networks: Seizing the Opportunities and Overcoming the Obstacles," The Free State Foundation's Policy Conference (July 25, 2017), National Press Club, Washington, DC., available at: http://www.freestatefoundation.org/images/July_25_2017_Next_Generation_5G_Wireless_Networks_-_Stockdale_Transcript_083117.pdf.

[2] Recon Analytics, "How America's 4G Leadership Propelled the U.S. Economy" (April 16 2018), available at: https://api.ctia.org/wp-content/uploads/2018/04/Recon-Analytics_How-Americas-4G-Leadership-Propelled-US-Economy_2018.pdf

[3] My colleague, FSF Research Fellow Michael Horney, summarizes these reports in more detail in Michael J. Horney, "U.S. Leadership Must Continue in 5G Wireless Deployment," *FSF Blog*, (April 18, 2018), available at: http://freestatefoundation.blogspot.com/2018/04/us-leadership-must-continue-in-5g.html.

[4] David Abecassis, Chris Nickerson and Janette Stewart, "Global Race to 5G—Spectrum and Infrastructure Plans and Priorities," Analytics Mason (April 2018), available at: https://api.ctia.org/wp-content/uploads/2018/04/Analysys-Mason-Global-Race-To-5G_2018.pdf.

Although 4G brought significant economic benefits, 5G is projected to create $275 billion in investment, 3 million jobs, and $500 billion in additional economic activity.[5] Michigan accounts for about 3% of the U.S. GDP, so if that economic impact is proportionate, those projections work out to an economic impact in Michigan of about $15 billion in economic growth and 90,000 more jobs.

III. Removing Local Regulatory Barriers to 5G Broadband

If those projections are even halfway correct, you can see how important and transformative 5G is going to be, and how great the cost of delays could be. Removing local regulatory barriers to broadband deployment should be a priority for policymakers who want to see more people have access to broadband. At the federal level, the Federal Communications Commission is also looking at what it can do to remove or reduce local barriers to 5G deployment.[6] At least 20 states are currently considering legislation much like SB 637,[7] including Arizona, which enacted its bill last year.[8]

SB 637 is consistent with the approaches being followed at the federal level and in other states. While the details of the bills differ from state to state, their common goal is to provide for access to municipal properties, reasonable costs and fees, and

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[5] Introductory Comments of Randolph J. May, President, Free State Foundation, "Next Generation 5G Wireless Networks: Seizing the Opportunities and Overcoming the Obstacles," The Free State Foundation's Policy Conference (July 25, 2017), National Press Club, Washington, DC., available at: http://www.freestatefoundation.org/images/July_25_2017_Next_Generation_5G_Wireless_Networks_-_Stockdale_Transcript_083117.pdf.

[6] Accelerating Wireless Broadband Deployment by Removing Barriers to Infrastructure Investment, WT Docket No. 17-79, (April 20, 2017), available at: https://apps.fcc.gov/edocs_public/attachmatch/FCC-17-38A1.pdf.

[7] *See* Colin Gibbs, Public Policy Will Lay the Foundation for 5G and Beyond, *FierceWireless* (September 6, 2017), available at: http://www.fiercewireless.com/wireless/public-policy-will-lay-foundation-for-5g-and-beyond.

[8] Nathan Fish, "Experts Say Arizona Legislation a Model for Implementing 5G Technology," *Capitol Times* (July 26, 2017), available at http://azcapitoltimes.com/news/2017/07/26/experts-say-arizona-legislation-a-model-for-implementing-5g-technology/.

streamlined permitting. States that do not follow their example will lose important economic benefits by lagging behind in 5G deployment.

Conclusion

Faster and better broadband access is important for Michigan's economic growth. The legislature can play an important role in preventing unnecessary delays in broadband deployment in Michigan. SB 637 would make sure that rights-of-way will be available, prohibit commercially discriminatory actions by state or local authorities, and prohibit unnecessary indemnification or insurance requirements. The bill would also cap the amount state or local governments could charge for zoning, permits and other fees so that deployment is not delayed by excessive fees or long negotiations over fees.

Thank you for giving me the opportunity to testify today. I will be pleased to answer any questions.