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# CONNECTING MAIN STREET TO THE WORLD: FEDERAL EFFORTS TO EXPAND SMALL BUSINESS INTERNET ACCESS

## HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

APRIL 27, 2010

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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED ELEVENTH CONGRESS

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# C O N T E N T S

## Opening Statements


| | Page |
|---|---|
| Landrieu, Hon. Mary L., Chair, and a U.S. Senator from Louisiana | 1 |
| Snowe, Hon. Olympia J., Ranking Member, and a U.S. Senator from Maine | 4 |
| Kerry, Hon. John F., a U.S. Senator from Massachusetts | 6 |
| Wicker, Hon. Roger, a U.S. Senator from Mississippi | 10 |
| Hagan, Hon. Kay, a U.S. Senator from North Carolina | 16 |
| Vitter, Hon. David, a U.S. Senator from Louisiana | 16 |


## Witnesses


| | |
|---|---|
| Genachowski, Hon. Julius, Chairman, Federal Communications Commission | 17 |
| Strickling, Hon. Lawrence E., Assistant Secretary, Communications and Information, National Telecommunications and Information Administration, U.S. Department of Commerce | 25 |
| Adelstein, Hon. Jonathan, Administrator, Rural Utilities Service, U.S. Department of Agriculture | 47 |
| Walthall, Susan, Acting Chief Counsel, Office of Advocacy, U.S. Small Business Administration | 62 |
| Greene, Sean, Associate Administrator for Investment, U.S. Small Business Administration | 79 |
| Smith, Hon. Gordon H., President and Chief Executive Officer, National Association of Broadcasters | 95 |
| Largent, Hon. Steve, President and Chief Executive Officer, CTIA–The Wireless Association | 118 |
| Huval, Terry, Director of Utilities, Lafayette City-Parish Consolidated Government | 124 |
| Gerke, Thomas A., Executive Vice Chairman, Centurylink | 143 |
| Friedman, Steve, Chief Operating Officer, Wave Broadband and Chairman, American Cable Association | 150 |


## Alphabetical Listing and Appendix Material Submitted


| | |
|---|---|
| Adelstein, Hon. Jonathan | |
| Testimony | 47 |
| Prepared statement | 50 |
| Cameron Communications | |
| Prepared statement | 212 |
| Cameron Telephone Company | |
| Prepared statement | 213 |
| Commerce Department Recovery Act Broadband Funding | |
| Press Release | 196 |
| Cox Greater Louisiana | |
| Letter | 219 |
| Eagle Communications | |
| Letter | 222 |
| Friedman, Steve | |
| Testimony | 150 |
| Prepared statement | 152 |
| Responses to post-hearing questions | 189 |
| Geiger, Jim | |
| Prepared statement | 216 |
| Genachowski, Hon. Julius | |
| Testimony | 17 |

Page

—Continued
Prepared statement ..... 20
Responses to post-hearing questions ..... 170
Gerke, Thomas A.
Testimony ..... 143
Prepared statement ..... 145
Greene, Sean
Testimony ..... 79
Prepared statement ..... 81
Responses to post-hearing questions ..... 180
Grivner, Carl J.
Prepared statement ..... 235
Hagan, Hon. Kay
Testimony ..... 16
Hutchinson/Mayrath
Letter ..... 224
Huval, Terry
Testimony ..... 124
Prepared statement ..... 126
Responses to post-hearing questions ..... 190
Kerry, Hon. John F.
Testimony ..... 6
123 Document ..... 8
Landrieu, Hon. Mary L.
Testimony ..... 1
Chart: Percentage of U.S. Small Businesses that Export ..... 85
Largent, Hon. Steve
Testimony ..... 118
Prepared statement ..... 120
Medical Business Resources, Inc.
Letter ..... 225
Moulton, William
Letter ..... 234
National Cable & Telecommunications Association
Prepared statement ..... 229
Smith, Hon. Gordon H.
Testimony ..... 95
Prepared statement ..... 97
Responses to post-hearing questions ..... 194
Snowe, Hon. Olympia J.
Testimony ..... 4
Strickling, Hon. Lawrence E.
Testimony ..... 25
BTOP map and distribution charts ..... 26
Prepared statement ..... 33
Responses to post-hearing questions ..... 187
Tydingco, Daniel
Prepared statement ..... 226
Vitter, Hon. David
Testimony ..... 16
Walthall, Susan
Testimony ..... 62
Prepared statement ..... 64
Responses to post-hearing questions ..... 185
Wicker, Hon. Roger
Testimony ..... 10
Prepared statement ..... 12
Yancey, Jr., W. Kenneth .....
Prepared statement ..... 207

# CONNECTING MAIN STREET TO THE WORLD: FEDERAL EFFORTS TO EXPAND SMALL BUSINESS INTERNET ACCESS

**TUESDAY, APRIL 27, 2010**

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
*Washington, DC.*

The Committee met, pursuant to notice, at 10:04 a.m., in Room 428A, Russell Senate Office Building, Hon. Mary L. Landrieu, Chair of the Committee, presiding.

Present: Senators Landrieu, Kerry, Hagan, Cantwell, Shaheen, Snowe, Vitter, Wicker, and Risch.

## OPENING STATEMENT OF HON. MARY L. LANDRIEU, CHAIR, AND A U.S. SENATOR FROM LOUISIANA

Chair LANDRIEU. Good morning, everyone, and welcome to the Small Business Committee hearing, "Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access." We are excited about the two panels that we have this morning and anxious to hear both the testimony and respond to the Committee's questions.

We should have a good attendance on our side this morning. As you can see, the room is packed because there is a tremendous amount of interest in how small businesses, both in urban areas, suburban areas, and in rural and sometimes underserved areas, can benefit from the new technologies and partnerships that are emerging on this issue. I am pleased to begin today's hearing in our newly renovated space, and hopefully you all will enjoy the benefits of that today.

I would like to begin by thanking our witnesses. We have a distinguished first panel, which I will introduce in a minute. I want to say that I understand our witnesses have had a full congressional dance card in recent months. You have testified individually before a variety of committees, but this is the first time that all of your representative agencies have shared one Committee panel to discuss broadband. Federal coordination will be key moving forward as each of you have unique resources, expertise, and authority.

For our business panel, it is critical that we hear from providers to small businesses so that we can make informed legislative decisions. Many have traveled from across the country to be here, several from Louisiana. I want to especially recognize them.

I also encourage any business or business association not able to testify today to submit a written statement for the record. We will complete a full Committee report on this subject, and the record will be open for the next 2 weeks.

In the same way that our interstate highway system connected America by reducing travel time and facilitating commerce, broadband has minimized the barriers that separate small businesses from geographically distant consumers. One company that has been able to do this in my home state, just for an example, is the Louisiana Network Foundation Technologies (NFT), a company started by two Louisiana Tech graduates. I had the opportunity to tour NFT last year in one of my visits to the state. NFT has developed a technology that allows live streaming video over the Internet without using large amounts of bandwidth. In partnership with Louisiana Tech, NFT pumps signals for various sporting events throughout the country and around the world. So from Ruston, Louisiana, a mid-sized rural town in north Louisiana, this small business is developing because of access to this new highway.

This is a great example of how the public and private sectors can join to form meaningful partnerships in providing and utilizing advanced technology. NFT also shows that broadband technology can create high-paying jobs, usually only associated with other more famous high-tech corridors, of course, in California, Massachusetts, or right here in Northern Virginia.

Broadband has not only impacted small high-tech businesses. This technology has changed traditional business models that all small business owners once relied on. As such, it is particularly important that small businesses have access to broadband technology so that they can compete on a global level. This Committee has long understood that small businesses come in all shapes and all sizes and occupy a wide range of different industries. With this in mind, we do not want to just connect Main Street. We also want to connect every street, every side alley, and every country road so that all small businesses, whether they are in traditional farming interests or Internet start-ups out in these less populated areas, have the same technological opportunities.

So while we must expand access to these services, at the same time we must ensure broadband is affordable for these entrepreneurs. According to reports from the FCC, businesses with 25 employees or less pay two times more per employee for broadband than those with more than 25 employees. We want to explore this fact today.

Education is the key. We need to provide small business with the tools they need to understand the benefits of broadband and the challenges associated with not having access. We need to show small businesses how to utilize this technology to make their businesses more efficient, to gain access to new markets, and ultimately to reduce operating costs so that small businesses can be the engines that they are, or the best engines that they can be, as they lead our country out of this recession.

Our Committee has received data on the importance of small broadband providers who offer service to rural and other underserved and unserved areas. Innovative, nimble small businesses

are key to finding cost-effective ways to serve rural and underserved communities.

Today our Committee will hear about small business participation in network build-out projects funded under the Recovery Act. Just last night, I understand there was an additional $1.2 billion announced in grants throughout the country under the BTOP Program, adding to the $1.2 billion that was previously issued.

Expanding broadband access and adoption is not just the FCC's job. We all have a role to play. That is why I believe it is important to hear from each of the Federal agencies today.

Chairman Genachowski, we are here to work together to ensure that our national broadband plan fosters robust competition among all broadband providers as a means to deliver truly universal broadband service at higher speeds and lower prices. There is a lot of work to be done.

In this spirit, the staff of our Committee and other Subcommittees have been active in conducting outreach to various broadband providers interested in further connecting their communities. My staff has created a Broadband Guide to help small businesses. We are directing this guide to be distributed today. I am very proud of the work that the Small Business Committee has done in this regard. The guide can be accessed on our website and hard copies will be made available.

I am also pleased that a number of small business recommendations from this Committee have been incorporated in the national broadband plan. Many of these provisions are included in the broadband bill that I plan to introduce in the coming weeks. I hope my colleagues on the Small Business Committee will join me as cosponsors of this bill. Both Ranking Member Snowe and former Chairman of this Committee, Senator Kerry, have done a tremendous amount of work on broadband in the past, and I want to acknowledge them both for their leadership in this regard.

Finally, through the Broadband Data Improvement Act of 2008, which I cosponsored, along with the American Recovery and Reinvestment Act, many Federal agencies were given a renewed focus on broadband and small business issues.

First, the Federal Communications Commission and the SBA's Office of Advocacy were tasked with collecting better data on broadband and small business broadband usage.

Second, Rural Utilities Services and National Telecommunications and Information Administration were directed to set up broadband grant guidelines that would encourage small business participation, especially participation from socially and economically disadvantaged small businesses. Unfortunately, my State of Louisiana ranks towards the bottom of technology penetration. I would like to see that changed, and I am aggressively working towards that end.

Third, in these sets of bills, the Federal Communications Commission was given the challenging task of crafting our national broadband plan. At 360 pages and 17 chapters, Mr. Chairman, you and your team have provided us with a blueprint of how to move forward.

I want just in closing to thank you all again. I will be introducing the panelists in just a minute, but at this time, I would like to turn

it over to Ranking Member Olympia Snowe for her comments and, again, thank her for her really extraordinary leadership in this area, both as a former Chair of this Committee and a member of the Commerce Committee.

Senator Snowe.

**OPENING STATEMENT OF HON. OLYMPIA J. SNOWE, RANKING MEMBER, AND A U.S. SENATOR FROM MAINE**

Senator SNOWE. Thank you, Chair Landrieu, for holding this hearing, and I appreciate your advocacy and championing of the critical Federal efforts that are necessary to enhance affordable, high-speed Internet services for small businesses.

I join the Chair in recognizing our distinguished panelists, including FCC Chairman Genachowski, Administrators Adelstein and Strickling, Acting Chief Counsel for the SBA for Advocacy, Susan Walthall, and SBA Associate Administrator Sean Greene.

I also want to recognize two of my friends and distinguished former colleagues who will be testifying on the second panel.

Senator Gordon Smith, who is now the President and CEO of the National Association of Broadcasters, Senator Smith and I served for many years both on the Commerce Committee and the Finance Committee, where we worked together on so many different initiatives across the spectrum, and I certainly value his perspective here today.

I am also pleased to acknowledge former Congressman Steve Largent, who now heads up the CTIA–The Wireless Association, who can also provide a unique point of view in having managed his own small advertising, marketing, and consulting firms. Actually, they are both Hall of Famers. One is a pro football Hall of Famer and the other one is in the Frozen Food Hall of Fame.

[Laughter.]

So I thank all of our witnesses for taking the time to join us today to discuss an issue that has wide-ranging impact for our constituents and our entire system of commerce. There are currently two herculean initiatives under way. The FCC has commissioned the National Broadband Plan and the Economic Recovery Act broadband stimulus funding programs, both of which will have far-reaching implications for small businesses across the country. I look forward to discussing the efficacy of these measures and am eager to explore other ways the Federal Government can encourage private investment and allow wireless and wireline companies to compete fairly in the broadband market while balancing the fact we must avoid creating an undue burden through excessive government regulation.

As both Ranking Member of this Committee and as a member of the Commerce Committee, on which I have worked with Senator Kerry on spectrum inventory—and I was pleased to join him in that critical legislation—I have heard countless stories from entrepreneurs in my home State of Maine and across the country that have used the Internet to transform the way they do business. Just last week, in fact, I was contacted by an owner of a small business animation studio who depends on fast and reliable broadband connection as a matter of basic business survival. But he is struggling for increased access and speed because his business is located in

rural Maine. In his own words, and I quote, "My needs for broadband are expanding, but the limited access and market in Maine is putting a stress on my business. In my industry, clients rarely have time to deal with delays or technical problems, and would move to my competition the moment our ability to deliver is compromised."

So as much as this entrepreneur and his family enjoys the Maine way of life, he now faces the gut-wrenching reality of possibly relocating his business to New York or Los Angeles—not because he wants to, he clearly does not, but because he has to due to the lack of broadband capacity in his area.

So I find this deeply disconcerting, yet regrettably millions of Americans and small firms are facing a similar unlevel technological playing field and either do not have access to, cannot afford, or are not aware of the very technology that has created such opportunities for so many others. The Internet is not only a tool for increasing efficiency and productivity, it is necessary for competitiveness and job creation capacity for businesses large and small. Unfortunately, it remains an untapped resource for approximately 93 million Americans who do not use broadband today. The FCC estimates that 14 million American households lack access to broadband. Most live in rural communities and inner cities, the very areas that have the most to gain from broadband availability, which provides better access to jobs and education. So I applaud Commissioner Genachowski for plotting a course through the FCC's recently released National Broadband Plan. We had hearings, in fact, in the Commerce Committee—on a very important issue—to eliminate the digital divide that exists within these areas.

This morning, I certainly hope to explore the plan with our panelists to ensure that the recommendations in this plan will achieve everything that is so desperately required for rural small businesses. With unemployment remaining stagnant at nearly 10 percent, and our nation undergoing what appears to be a "jobless" economic recovery, it is paramount that we leave no stone unturned in fostering an entrepreneurial environment in which small businesses can harness new technology and invest in the future to preserve and create more jobs.

As Congress considers the dimension of issues that can help small businesses start hiring again—and I will repeat it, as I did last week, and the Chair and I agree on this—we need to pass long overdue small business job creation legislation. I hope that what will be considered in that legislation is a proposal that I have also recommended to increase the Small Business Development Centers funding by $50 million. I think that money could be used for training and outreach of small businesses and broadband applications, which is such an imperative if we are going to make sure that small businesses are on par in trying to not only access this technology but also in terms of how to use it.

We must ensure our small entrepreneurs have every tool at their disposal, including accessible and affordable broadband. A recent Brookings report concluded that broadband capital expenditures helped create nearly half a million jobs in 2009 alone. The availability of broadband undoubtedly contributes to business expansion and employment growth. The Brookings report estimates that a $5

billion increase in broadband investment will successfully increase broadband penetration by 7 percent and result in 2.4 million new jobs throughout the economy.

Astoundingly, the United States, which has long been the world's leader in technological innovation, ranks 15th globally in broadband adoption, 14th in broadband pricing, and 28th in broadband speeds—not very impressive for the country that invented the Internet. But there is a significant impact that these poor rankings have, and that is in the technological innovation leadership. Broadband, the Internet, and information technology are catalysts to spurring innovation. Without greater availability and adoption our competitiveness will be significantly hindered.

The Recovery Act has done many things, including providing grants for so many projects that are under way, certainly in my State of Maine, including the Three-Ring Binder Network to help increase broadband access. I will be interested in hearing from the Administrators today on how this is working and making sure the money is disseminated fairly among small businesses in rural communities.

I am also eager to hear today from SBA on its plans as Administrator Mills recently attended a joint event with Chairman Genachowski to partner with the FCC on the National Broadband Plan. It is my hope and expectation that the SBA will be anything but a silent partner because our Nation's nearly 30 million small businesses are counting on the agency to stand up loudly and aggressively on this seminal issue.

The FCC's National Broadband Plan recommends that the SBA engage its resource partners—for instance, Small Business Development Centers and Women's Business Centers—in training and supporting small business broadband use and applications. I support these basic recommendations, but the SBA must leverage the entirety of its resources and fully utilize all the core programs so we can maximize their technological potential through enhanced rural broadband deployment.

So, Madam Chair, again, thank you very much for hosting this critical hearing today.

Chair LANDRIEU. Thank you, Senator Snowe.

Senator Kerry.

**OPENING STATEMENT OF HON. JOHN F. KERRY, A U.S. SENATOR FROM MASSACHUSETTS**

Senator KERRY. Madam Chair, thank you very much. First of all, let me congratulate you on the many innovations that you have brought to the Committee, not the least of which is this grand new dais that we all get to sit at. And I notice all these little green bottles around here. We have moved south. The Mountain Valley spring water from Arkansas, you got as close as you could——

Chair LANDRIEU. As close as I could to Louisiana.

Senator KERRY. When I was Chairman, we had Poland Springs, Ranking Member.

Senator SNOWE. I recall those good days.

Senator KERRY. I know.

Chair LANDRIEU. And we are probably moving to Kentwood, Louisiana, very soon.

[Laughter.]

Senator KERRY. So I just want to stay close to the Ranking Member. We need her.

But, no, seriously, I really do congratulate. I think you have brought terrific energy and terrific focus to the Chair, and we all appreciate it. And I really strongly support your effort to focus on ensuring that our small businesses are able to be the best connected in the world. And it is shocking that in this year 2010, after all of the promises of 2004 and beyond, we are still strikingly disconnected in the United States. You can go other places, all over the world—in fact, coming in here, I think Constitution Avenue is one of the most disconnected places in the world. I think your phone calls drop about three times per 500 yards.

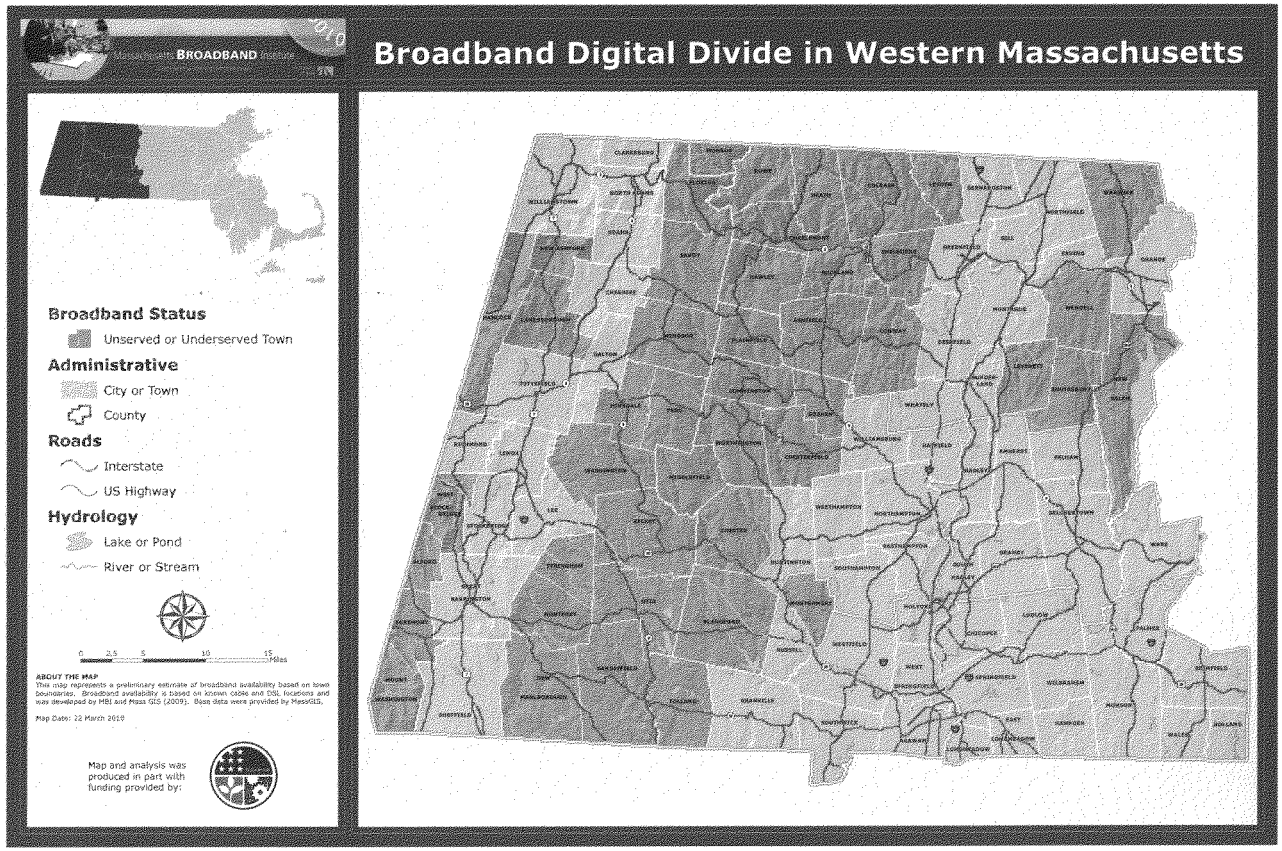
We have got to get this connected. We have got to get going here. You can go to other countries and sit in a field far from anywhere and download at the fastest rate possible complicated and long communications from your headquarters or elsewhere. Here in our country we cannot do it.

I believe personally that the stimulus grants are working. I support the National Broadband Plan. I think Chairman Genachowski has brought some strong leadership to that effort. But we have a long way to go, and I just want to focus very quickly, as the Senator from Maine did, on Massachusetts for a moment. I want to put a chart up here. This is a map of western Massachusetts, and those broad red swaths there are all areas that are either unserved completely or underserved. There is a small line going up through Pittsfield up to North Adams, Williamsburg, and so forth, where we have, you know, the highway connection, but we have got 123 towns there that are completely disconnected and those folks left behind, which is why the Governor, local leaders, State legislators, and business leaders have constructed a broadband stimulus application that I think is the best in its class called MassBroadband 123. And it is named after the 123 towns that remain disconnected or poorly connected to the Internet.

I would ask unanimous consent to insert in the record the 123 document that outlines the benefits for small businesses.

Chair LANDRIEU. Without objection.

[The information follows:]


Massachusetts BROADBAND Initiative
Broadband Digital Divide in Western Massachusetts
Broadband Status
Unserved or Underserved Town
Administrative
City or Town
County
Roads
Interstate
US Highway
Hydrology
Lake or Pond
River or Stream
0 2.5 5 10 15 Miles
ABOUT THE MAP
This map represents a preliminary estimate of broadband availability based on town boundaries. Broadband availability is based on known cable and DSL locations and was developed by MBI and Mass GIS (2009). Base data were provided by MassGIS.
Map Date: 22 March 2010
Map and analysis was produced in part with funding provided by:

Senator KERRY. Now, Madam Chair, thousands of my constituents have written in support of that. Let me just share a couple of observations.

Arnold Wenger from Lee, Massachusetts, writes: "My computer is my enemy. It can take me an hour to do something that should take 10 minutes on a high-speed connection."

Laura Stravino from Ashfield, Massachusetts, writes: "It is completely insane that we are using dial-up Internet here at our home in the United States in 2010." She goes on to say: "I am at a disadvantage compared to my colleagues who have high-speed Internet at home, and my work is less efficient."

Lisa Kirschner writes: "I run a small graphic design business from my home in Peru, Massachusetts. I presently have dial-up Internet access because I do not have access to broadband. It is not unusual for a photo upload to take hours, and, of course, I cannot talk on the phone to my customers while I am connected to the Internet."

The MassBroadband 123 proposal will build an open broadband backbone to which private providers can connect and link homes and small businesses to speeds that they only dream about today. And that means that you do not have to be an employee who is actually at work to be working. You could be at home and work. You could be at a remote location and be working. And it also means that just because you live in western Massachusetts, it does not deprive you of the opportunity to reach customers in Western Europe or elsewhere.

The National Broadband Plan has laid out a comprehensive strategy, and I appreciate it particularly from my role as Chair of the Communications Technology Subcommittee on the Commerce Committee. And we are working with the Chair and others to really get this out as fast as possible.

The FCC strategy, which I support, will combine the modernization of the Telephone Universal Service Fund with pro-competition wireless policies and enhanced consumer access to information that will generate new investments, and it is going to drive innovation, and it is going to drive job creation at the same time.

Also, we have just embarked on an ambitious health care reform effort, and as we do so, health providers, including small practices in remote rural areas and elsewhere, we have got to remember that it is a vital piece of effective health IT. Without high-speed Internet, it is almost impossible to download and transfer patient files from provider to provider. And as we explore new ways to use technology to reach underserved communities, initiatives such as consultations via Web video and distance learning for professional development, all of these things just do not work without adequate Internet.

The Broadband Plan calls for releasing more spectrum in order to encourage wireless broadband competition, making more information about their service accessible to consumers, and it also protects an open Internet, which many of us believe is very important. It suggests modernizing the Universal Service Fund and investing in a wireless network that police and firefighters can access and rely on to safeguard vital communications during emergency situations. And all of these will result in investments in rural

broadband that are going to ensure that radio collapses that occurred in the wake of 9/11 and Hurricane Katrina are not repeated again.

I support all of those initiatives, and, Madam Chair, I really appreciate this hearing. It is very, very important. You know, we always talk about how small business is the engine of our economy. You always hear in every political speech about how 98 percent of America's business is small business. It rarely gets the kind of focused attention it deserves, and you are to be congratulated for helping to do that today.

Chair LANDRIEU. Well, thank you, Senator Kerry, as a former Chair of this Committee, but we are very focused, and I thank all of the members, both Republicans and Democrats. We want to get capital into the hands of small business, but we also want to give them access to the high-speed Internet, both of which are critical to lifting them forward and to moving our country forward.

We have got three other members I am going to recognize quickly and ask if you could limit your opening statement to 1 minute, submit the rest to your record, starting with you, Senator Wicker.

**OPENING STATEMENT OF HON. ROGER WICKER, A U.S. SENATOR FROM MISSISSIPPI**

Senator WICKER. Well, thank you, and I appreciate being limited. In a moment of weakness that I really do not recall, I agreed to appear off the Hill at 10:30. My staff assures me that I actually agreed to this, so I am going to have to tear out of this meeting.

[Laughter.]

But let me say it is good to have panel number one here. I particularly appreciate my two former colleagues, Steve Largent and Gordon Smith, agreeing to come here today and be on panel two. Perhaps I will be able to come back in time for their testimony.

But, clearly, Madam Chair, the National Broadband Plan is a broad analysis of the marketplace. Not every proposal is unanimously agreed to. But I recognize the plan is flexible and a road map that provides many options to ensure important goals, two of which are relevant to our discussion today. First, we must assure that the telecommunications industry is competitive in the global marketplace. And, second, broadband access can help make our small and rural businesses competitive locally, regionally, and nationally.

I hope today we get into discussions of the level of Government intervention that might be necessary in certain areas, and while we do that, we need to ensure that it is accomplished with a light touch and clear recognition that private investment is essential.

We will also discuss the Universal Service Fund, very important to the Chair's State of Louisiana and to my State of Mississippi, as well as other rural areas. And then, of course, we will get into a discussion of spectrum. We need to ensure that we efficiently and effectively utilize this finite resource.

The success of small businesses is essential for economic growth. In my State of Mississippi, small businesses make up the majority of our state's employers. They deserve quality and affordable access to the Internet to help them compete in the marketplace.

I ask that my opening statement be included in its entirety.

Chair LANDRIEU. Thank you, Senator, for being so cooperative, and that will happen, without objection.

[The prepared statement of Senator Wicker follows:]

Statement of Senator Roger F. Wicker
Committee on Small Business and Entrepreneurship
Hearing on "Connecting Main Street to the World:
Federal Efforts to Expand Small Business Internet Access"
April 27, 2010

Thank You Madam Chair and Madam Ranking Member.

I am glad we are having this hearing today to discuss the recently released National Broadband Plan and efforts by both the government and telecommunications industry to expand high-speed Internet access across the country. It is clear that broadband access is vital to the growth of our economy. A decade from now we will look back at efforts to connect unserved and underserved areas of our country and fully appreciate the economic development created by this undertaking. I would also like to thank former Senator Gordon Smith of the National Association of Broadcasters and former Representative Steve Largent of CTIA, The Wireless Association, for being here today

The livelihoods of many Americans depend on the success of their small businesses. In Mississippi, there are 197,000 small businesses, and they are vital to the financial well-being of the state's economy. Those businesses, from our local community pharmacists to our small town broadcasters, need a core set of tools in order to compete. Last century, those tools included hard workers with a drive to succeed and a marketplace

to sell related goods or services. Today, connection to Internet commerce is an equally important tool, but many small businesses still do not have broadband access.

The National Broadband Plan is a broad analysis of our marketplace. Many do not agree with some of the proposals made in the plan. I recognize the plan as a flexible roadmap that provides many options to ensure important goals, two of which are relevant to our discussion today. First, we must ensure that our telecommunications industry is competitive in the global marketplace. Second, broadband access can help make our small and rural businesses competitive locally, regionally, and nationally.

We know that these goals are already being achieved in some of our communities. The telecommunications industry is technologically diverse. Americans can get broadband connection from wireless providers, cable providers, and telephone companies. Consumers even have the option of satellite access. The infrastructure investment and continued coverage by all of these telecommunications sectors has the potential to provide the ubiquitous service our country needs. I am confident, in light of the more than $60 billion invested by the telecommunications industry last year alone, that we can achieve the necessary level of broadband service with minimal government intervention and little additional burden on the taxpayer.

Where we determine that government intervention might be necessary in certain areas, we must ensure it is accomplished with a light touch and clear recognition of the private investment made and anticipated in the near future.

The broadband plan discusses reform to the Universal Service Fund. The USF High Cost Program is vital to coverage and buildout in rural Mississippi and other similar regions in America. I am concerned that efforts to reform the system will have a detrimental impact on the state, either by limiting future buildout in rural areas or resulting in a rollback of existing service.

The plan also discusses spectrum. We need to ensure that we efficiently and effectively utilize this finite resource. There are many proposals in the plan addressing incumbent users, including the broadcasters who are here with us today. Chairman Genochowski has said that these proposals will be voluntary. I hope he will emphasize that important point again today. However, it is imperative that these issues be fully analyzed and every opportunity be provided for thorough spectrum discussions before any action is taken.

The success of small businesses is essential for economic growth. In Mississippi, small businesses make up the majority of our state's employers. They deserve quality and affordable access to the Internet to help them compete in the marketplace. It is vital

that our rural areas have this type of access to promote business innovation and job creation.

Madam Chair, I appreciate this discussion today and look forward to our witnesses' testimony.

Chair LANDRIEU. The reason that we are having to do this is we have two panels, ten witnesses, this morning, and it is really a very full hearing.

Senator Hagan.

**OPENING STATEMENT OF HON. KAY HAGAN, A U.S. SENATOR FROM NORTH CAROLINA**

Senator HAGAN. Thank you, Madam Chair. I just, too, want to echo you are great to put this Committee together, and certainly the testimony of the witnesses, we are looking forward to hearing what you have got to share with us.

In North Carolina, we do have a lot of rural counties. Eighty-five of our counties are rural. One of the issues that I hear over and over again is the lack of high-speed broadband that these farmers can use. There is a farmer in Camden County who provides many potatoes to Lay to make potato chips. This contract is great, but one of the issues is he has to report daily what he harvests, and he does not have high-speed. He has to literally go from his farm back to his home, where he only has dial-up, in order to provide that information on a daily basis. Think of the amount of time and energy that he wastes because he does not have broadband. So we need this desperately, and I just look forward to the testimony.

Chair LANDRIEU. Thank you, Senator Hagan.

Senator Vitter.

**OPENING STATEMENT OF HON. DAVID VITTER, A U.S. SENATOR FROM LOUISIANA**

Senator VITTER. Thank you, Madam Chair. I want to welcome everyone. I look forward to the discussion that I can stay for. In particular, I want to welcome two folks on our second panel.

Terry Huval of the Lafayette Utilities Service, is an important witness. The City of Lafayette is doing amazing work in terms of bringing tremendous broadband capability to that community, and congratulations on that work, Terry, and I look forward to a continuing update.

Secondly, I am also excited a representative of CenturyLink is here. They have just announced a new acquisition of Qwest that will bring this once small Louisiana company—certainly not small anymore—into 37 States with great access through that network. So I welcome them, and I look forward to the discussion.

Chair LANDRIEU. Thank you.

Let us begin our panel this morning, and let me do just very brief introductions.

Chairman Genachowski from the Federal Communications Commission has two decades of experience in public service and the private sector. Prior to his appointment, he spent more than 10 years working in the industry as an executive and entrepreneur. We thank you for your leadership, Mr. Chairman.

Larry Strickling from the Department of Commerce. Mr. Strickling is a technology policy expert with more than two decades of experience. He was also Chief of the Common Carrier Bureau for the FCC. We welcome you.

Jonathan Adelstein joins us today from the U.S. Department of Agriculture. He is the 17th Administrator of the USDA's Rural

Utilities Service. He previously served as Commissioner of the Federal Communications Commission. We thank you as well.

Susan Walthall from the SBA. She serves as Acting Chief Counsel for Advocacy. Of course, that position is still vacant. We are working hard to get it filled, and we hope to get that done soon. In the absence of the Chief Counsel, she is here to testify on behalf of the Office of Advocacy, U.S. Small Business Administration.

Lastly, we have Sean Greene, also with the SBA, serving as Associate Administrator for Investments and Special Adviser. Karen Mills could not be here with us today, so we are very grateful to have Mr. Greene.

So let us begin with our opening statements, and, Mr. Chairman, if we can begin with you, I am pleased that this Administration has made a broadband policy for this nation a priority. There have been billions of dollars invested so far and a tremendous amount of interest, and thank you for being with us this morning.

**STATEMENT OF HON. JULIUS GENACHOWSKI, CHAIRMAN, FEDERAL COMMUNICATIONS COMMISSION**

Mr. GENACHOWSKI. Thank you, Chair Landrieu, Ranking Member Snowe, Senator Vitter. Thank you for calling this important hearing. I have submitted a statement for the record, and if I may, I will deliver a shorter opening statement that focuses on broadband and small businesses.

Broadband communications is rapidly becoming an essential platform, if not our most essential platform for job creation and economic growth in the 21st century and necessary for the global competitiveness of the U.S. Our National Broadband Plan, as you know, stems from a congressional directive to the FCC to prepare a National Broadband Plan to achieve universal broadband and to tackle important issues such as entrepreneurial activity, investment, job creation, and economic growth.

Now, small businesses really are our nation's indispensable driver of job creation and economic growth, and the evidence is clear that broadband connectivity and associated online tools can be powerful factors in small businesses, reaching new markets, increasing productivity. Together, wired and wireless broadband can bring small businesses new revenue from new customers and lower operating costs by using business tools available in the Internet cloud. That is a formula for more profit, more investment, more economic growth, and more jobs on Main Street.

The President has said, "We need to expand broadband lines across America so that a small business in a rural town can connect and compete with their counterparts anywhere in the world." I could not agree more. Broadband can have transformative economic effect in both rural and urban areas.

Consider Blue Valley Meats in Diller, Nebraska, which has used its website and e-commerce and online marketing tools to reach new customers outside of Diller, creating new jobs in Diller.

Consider Cake Love, a bakery here on 14th Street in D.C. which has expanded from one to seven stores, with its entrepreneurial stating that broadband has been as important as his recipes in the growth of his business, empowering him to reach his customers

"where they are, online and on mobile," while keeping his costs in check.

I met a farmer in Erie, Pennsylvania, who told me that all his life he thought computers had no relevance at all to his business except that now he realizes that without computers, without smart phones, without high-speed access, you cannot be a farmer in 21st century America.

The FCC's work on the Broadband Plan not only confirmed broad opportunities for small businesses for broadband; it revealed several significant challenges to seizing them.

First, too many small businesses operate in regions of our country that still do not have access to high-speed broadband infrastructure at all.

Second, in areas with high-speed connectivity, too many small businesses find too few marketplace choices, a lack of adequate speeds, or prices that are too high. Today small businesses pay an average of three times more per employee than large businesses for broadband service.

Third, small businesses too often do not have a sufficient understanding of broadband—what we call "digital literacy." The result is that in most rural counties in America, fewer than half of small businesses have broadband access, and overall, fewer than a quarter of small businesses even today use e-commerce tools to grow and expand their businesses.

The FCC's Broadband Plan recommends taking concrete actions to tackle those challenges:

To improve availability, particularly in rural areas, the plan proposes a once-in-a-generation transformation of the Universal Service Fund, shifting support from plain old telephone service to broadband communications. It recommends steps to make available sufficient spectrum so that we can lead the world in mobile and so that we can benefit small business productivity which relies increasingly on mobile communications.

To boost marketplace choices and affordability for small businesses, the plan recommends promoting competition in broadband, including removing barriers to municipal networks and increasing transparency about the speed of service to all broadband consumers, including small businesses.

To improve digital literacy, the plan calls for increased training and outreach to small businesses. I am pleased to say that this effort officially kicked off earlier this month when SBA Administrator Karen Mills and I announced a public-private partnership to provide broadband tools, training, and support for small businesses. And as you mentioned, the plan includes a number of recommendations working with the SBA to enhance existing resources so that they can provide training and outreach to small businesses as quickly as possible.

I am pleased by our collaboration at the FCC with the Commerce Department, particularly with the NTIA, Administrator Strickling, also with RUS, Administrator Adelstein. Interagency coordination is vital when it comes to this horizontal technology, and I look forward to continuing to work well together.

In implementing our efforts at the FCC, our focal point is our Office of Communications Business Opportunities led by Director

Tom Reed. OCBO is central to the Commission's mission to support and encourage the development of small and diverse businesses in the telecommunications industry, taking advantage of broadband.

At the FCC, we are moving with urgency to implement the National Broadband Plan. We released about 10 days ago an Implementation Action Plan unprecedented in its scope and transparency, with target dates for over 60 Commission actions over the next year to implement what the country needs to do to lead the world in broadband.

Supporting small businesses and entrepreneurs must be a national priority of paramount importance. By arming small businesses with broadband and encouraging digital literacy, we can help ensure that broadband fulfills its promise as a transformative tool for small businesses and America's economy.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Genachowski follows:]

**Statement of**
**FCC Chairman Julius Genachowski**
**U.S. Senate Committee on Small Business and Entrepreneurship**
**Connecting Main Street to the World:**
**Federal Efforts to Expand Small Business Internet Access**
**April 27, 2010**

Good morning. Chairwoman Landrieu and Ranking Member Snowe, other distinguished Members of the Committee, it is a privilege to appear before you this morning to discuss small businesses, entrepreneurship, and the National Broadband Plan.

The Plan, as you know, stems from a Congressional directive that the FCC prepare a "national broadband plan" that "shall seek to ensure that all people of the United States have access to broadband capability," include a strategy for affordability and adoption of broadband communications, and also recommend ways that broadband can be harnessed to tackle important "national purposes."

Among the national purposes Congress directed the Commission to address were "entrepreneurial activity," "investment," "job creation," and "economic growth."

The Plan addresses each aspect of these Congressional requirements in a way that reflects a strong conviction that, as our nation rebuilds its economy, broadband communications can and must serve as a foundation for long-term economic growth, ongoing investment, and enduring job creation.

Broadband is the indispensable infrastructure of the digital age – the 21st Century equivalent of what canals, railroads, highways, the telephone, and electricity were for previous generations.

And small businesses are the indispensable driver of economic growth and job creation in our country.

Small and medium businesses employ more than half of private sector workers and create over 60% of new private sector jobs each year. Home-based entrepreneurs employ almost 15 million people. And as many as 650,000 new small businesses are created every year.

It is vital to ensure that small businesses have robust and affordable access to broadband communications. The evidence is clear that broadband connectivity and the online tools associated with it can be powerful factors in small businesses reaching new markets; increasing productivity and efficiency; and generating economic growth.

This is true not only of wired broadband service, but wireless broadband as well. Mobile communications is proving to be a powerful productivity and marketing tool for small businesses. A growing number of small businesses – those that operate "on the go" – increasingly place more and more reliance on mobile broadband.

Together, wired and wireless mobile broadband brings small businesses new revenue from new customers, and lower operating costs from business tools available in the Internet "cloud." That's a formula for more profit, more investment, and more jobs.

The Bureau of Labor Statistics forecasts that jobs depending on broadband and information and communication technologies will grow by 25% from 2008-2018 – 2.5 times faster than the average across all occupations and industries. And data from the Pew Internet & American Life Project indicate that 62% of American workers rely on the Internet to perform their jobs.

The President has said "[We need to] expand broadband lines across America, so that a small business in a rural town can connect and compete with their counterparts anywhere in the world." I couldn't agree more.

Broadband can have a transformative economic effect in both rural and urban areas. Consider Blue Valley Meats in Diller, Nebraska, which has used its website and e-commerce and online marketing tools to reach new customers outside of Diller, creating new jobs in Diller.

Consider Cake Love, a bakery here in DC, which has expanded from one to seven stores, with its entrepreneurial owner stating that broadband has been as important as his recipes in the growth of his business, empowering him to reach his customers "where they are: online and on mobile," while keeping his costs in check.

The broadband opportunities for small businesses were a focus of our Broadband Plan efforts. Our team conducted extensive research and ran public workshops and hearings on broadband and small businesses.

This work not only confirmed the opportunities, it revealed several significant challenges to seizing the opportunities.

First, too many small businesses operate in regions of our country that still do not have access to high-speed broadband infrastructure at all. In most rural counties, almost 50% of businesses simply do not have access to broadband at speeds of 4 Mbps or higher, which we consider to be the minimum today to seize the broadband opportunity.

Second, in areas with high-speed connectivity, many small businesses find their broadband communications service to be too slow or otherwise unsatisfactory; they complain of too little choice; and many find it to be unaffordable. Today, small businesses pay an average of three times more per employee than large businesses for broadband service.

Third, small businesses too often don't have a sufficient understanding of broadband – what we call "digital literacy." This can range from not understanding the benefits of broadband, or how to manage such risks as ensuring the security of online

information. This knowledge gap is an independent barrier to signing up for broadband service, and limits the benefits to those small businesses that do subscribe.

The Broadband Plan contains a number of strong recommendations to tackle these challenges.

To improve availability of broadband infrastructure, particularly in rural areas, the Plan proposes a once in a generation transformation of the Universal Service Fund, shifting support from plain old telephone service to broadband communications. The goal is for every American consumer and business, large and small, whether they live in a rural town and urban city or in between, has access to high-speed broadband service.

The Plan calls for reform and expansion of the Commission's Rural Health Care Program to help improve broadband access and usage for small health care providers and doctors around the country.

To bring more broadband choices to small businesses, and improve affordability, the Plan recommends taking steps to promote competition, including the development of an effective framework to ensure that small businesses benefit from robust, healthy competition in the marketplace. To further expand broadband choices for small businesses, the Plan calls for removing barriers to municipal broadband networks, and increasing transparency about the speed of service to all broadband consumers, including small businesses.

To improve broadband knowledge among small businesses, the Plan calls for increased availability of training for small businesses, including the formation of a consortium to help the small business community become digitally literate and take full advantage of online resources and applications. I'm pleased to say that this effort officially kicked off earlier this month. SBA Administrator Karen Mills and I announced earlier this month a public-private partnership involving ten broadband and technology firms and SBA resource partners SCORE to provide broadband tools, training and support for small businesses.

I am pleased by the partnership between the FCC and the SBA on broadband, which has led to other recommendations in the Broadband Plan, including the creation of a Broadband Coordinator at SBA.

I am also pleased by the partnership between the FCC and the Commerce Department, in particular with Secretary Locke and Assistant Secretary Strickling of the NTIA. The Broadband Plan calls for increased support for entrepreneurial mentoring through the Commerce Department's Economic Development Agency (EDA), as well as SBA, to increase digital fluency and help insure that small businesses continue to power economic growth and job creation in the new economy.

We will continue to work cooperatively with Commerce, NTIA, EDA and SBA, as well as other agencies, to help ensure that our Nation seizes the opportunities of broadband communications.

In implementing these efforts, our focal point at the FCC is our Office of Communications Business Opportunities (OCBO), led by Director Thomas Reed. OCBO is central to the Commission's mission to support and encourage the development of small and diverse businesses in the telecommunications industry.

To improve digital literacy among minority-owned and women-owned businesses, OCBO is working with the U.S. Women's, Asian, Hispanic, and the National Black Chambers of Commerce to expand the scope and reach of the small business consortium.

Through OCBO we are also ramping up our education and outreach efforts to improve small business access to capital. So far, this effort includes multiple workshops and roundtable discussions on: the impact of broadband on small and diverse businesses; on new media and digital strategies for traditional brick and mortar businesses and broadcast properties; and on the capitalization challenges faced by all small businesses.

OCBO has brought, and will continue to bring, lenders and private investors face-to-face with small and diverse businesses to act as mentors while providing fledgling entrepreneurs with a nuts-and-bolts understanding of the steps necessary to obtain financing and to focus on the best ways to package their business model and strategic plans for prospective lenders and investors. In addition, this summer OCBO will launch an online effort, including a new website, dedicated to information on broadcast acquisitions and other communications ventures. The website will target regional and local lenders, investors, and minorities and women who want to learn as much as they can about public or private sector funding as well as the benefits of investing in small and diverse companies. OCBO will pursue this along with its partners at other agencies so that, together, we can accomplish more with less.

OCBO is also developing a networking strategy and program designed to connect larger telecommunications companies with small and diverse businesses to help position small businesses as potential suppliers, and better yet, as partners on large prime contracts. Like NTIA's BTOP BroadbandMatch program, OCBO wants to foster greater collaboration in the telecommunications industry among all stakeholders by facilitating the types of relationships that will increase opportunities for small businesses. We plan to launch this program in the coming months as well.

When the National Broadband Plan was released last month, I emphasized that it was the beginning of a process, not the end. The Plan is a roadmap, a blueprint for how the FCC, the federal government, and the country can deploy and use broadband in ways that will benefit us all.

At the FCC, we are moving with urgency to implement the Plan. We have released an Implementation Action Plan – unprecedented in its scope and transparency -- with target dates for over 60 Commission actions over the next year. Last week, at our first Commission meeting since release of the Broadband Plan, we moved forward with six proceedings relating to broadband, ranging from universal service, to mobile broadband, to competition, to public safety and security.

Supporting small businesses and entrepreneurs must be a national priority of paramount importance. By arming small businesses with broadband and encouraging digital literacy, e-commerce, and online communications, we can help ensure that broadband fulfills its promise as a transformative tool for small businesses and America's economy.

Chair LANDRIEU. Thank you very much.

Mr. Strickling.

**STATEMENT OF HON. LAWRENCE E. STRICKLING, ASSISTANT SECRETARY, COMMUNICATIONS AND INFORMATION, NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE**

Mr. STRICKLING. Chairwoman Landrieu, Ranking Member Snowe, and members of the Committee, thank you for the opportunity to testify today about NTIA's efforts to expand small business Internet access. As you pointed out, we have testified on many previous occasions to previous Committees. This is, I think, the seventh time that Administrator Adelstein and I have appeared. Up until now, it has always been as a duet, but today we welcome three new members to the band, and we look forward to the continued discussion.

What I would like to focus on in my testimony this morning is what specifically NTIA has accomplished since the passage of the Recovery Act to expand broadband availability and adoption and specifically how we have engaged small businesses in those efforts.

The Recovery Act directed NTIA to create and administer a grant program totaling $4.7 billion, with four purposes: to build broadband infrastructure, to increase broadband adoption, to expand public computer centers, and to develop a national broadband map. We have now completed the first round of funding, and I am pleased to report that as of today, NTIA has awarded 136 Recovery Act grants totaling approximately $1.3 billion. This includes 54 grants for mapping totaling about $100 million and 82 projects for broadband totaling more than $1.2 billion. All told, these projects will add 25,000 miles of new or upgraded broadband networks, will directly connect nearly 7,000 community anchor institutions, including schools, libraries, hospitals, community colleges, government facilities. We are investing in more than 1,000 new or upgraded public computer centers, accounting for more than 10,000 new or improved public computer workstations.

I have provided a map this morning to each of you that shows the geographical distribution of our round one grants.

[The information follows:]

Broadband Technology Opportunities Program (BTOP)
Service Areas Distributed Across US States and Territories
Alaska
Hawaii
Puerto Rico
Virgin Islands
Guam
Northern Mariana Islands
American Samoa
Pacific Islands
Alaska Hawaii
Puerto Rico Virgin Islands
Guam Northern Mariana Islands
American Samoa Pacific Islands
WA 2
ID 2
CT 1
RI 1
MD 1
DC 1
NJ 2

Broadband Technology Opportunities Program (BTOP)
Applications and Award Information

# Broadband Technology Opportunities Program (BTOP)

## Application and Award Information, cont.

| Award Recipient | Project Location | Award Amount | Service Area Territories Impacted |
|---|---|---|---|
| Level 3 ECN, LLC | Middle-Mile | $ [illegible] | CO, OR |
| Level 3 ECN, LLC | Middle-Mile | $ [illegible] | OR, WA |
| MCNC | Middle-Mile | $ [illegible] | NC |
| Mid Hudson LTC | Middle-Mile | $ [illegible] | NY |
| Mid-Rivers Broadband Cooperative | Middle-Mile | $ [illegible] | MT |
| Nebraska Rural Utility Authority | Middle-Mile | $ [illegible] | AK, NE, IT |
| Nelson County Digital | Middle-Mile | $ [illegible] | VA |
| North Central Broadband Authority | Middle-Mile | $ [illegible] | VT |
| North Georgia Network Cooperative, Inc. | Middle-Mile | $ [illegible] | GA |
| Northern Gateway Access Network | Middle-Mile | $ [illegible] | WI |
| Nova Wireless Corporation | Middle-Mile | $ [illegible] | MS |
| Page County Broadband Authority | Middle-Mile | $ [illegible] | VA |
| Pine Tree Broadband, LLC | Middle-Mile | $ [illegible] | ME |
| State of Colorado Department of Regulatory | Middle-Mile | $ [illegible] | CO |
| State of Maryland Department of Administration | Middle-Mile | $ [illegible] | MD |
| The Board of Regents of the University of Nebraska, Nebraska | Middle-Mile | $ [illegible] | NE |
| The Board of Regents of the University of Nebraska, Nebraska | Middle-Mile | $ [illegible] | NE |
| University of Utah | Middle-Mile | $ [illegible] | UT |
| Virginia Tech Foundation, Inc. | Middle-Mile | $ [illegible] | VA |
| Zayo Bandwidth, LLC | Middle-Mile | $ [illegible] | MI |
| Zayo Bandwidth, LLC | Middle-Mile | $ [illegible] | OH, PA |
| Allegiance Communications | Last Mile Non-Remote Area | $ [illegible] | AR, KS, OK, TX |

# Broadband Technology Opportunities Program (BTOP)

**Application and Award Information, cont.**

| Award Recipient | Classification | Award Amount | Series and Territories Impacted |
|---|---|---|---|
| Eagle River Telephone Cooperative | Last Mile Non-Rural Area | $ [illegible] | AK |
| City of Hillsboro | Last Mile Non-Rural Area | $ [illegible] | AL |
| Gigabitbase Communications Corp. | Last Mile Non-Rural Area | $ [illegible] | AL |
| Gigabitbase Communications Corp. | Last Mile Non-Rural Area | $ [illegible] | AL |
| Gigabitbase Communications Corp. | Last Mile Non-Rural Area | $ [illegible] | AL |
| Ring Telephone Company, Inc. | Last Mile Non-Rural Area | $ [illegible] | CA |
| Pulse Utility District of Polk County, Florida | Last Mile Non-Rural Area | $ [illegible] | FL |
| Arizona State Library, Archives and Public Records | Public Computer Center | $ [illegible] | AZ |
| Cambridge Housing Authority | Public Computer Center | $ [illegible] | MA |
| City of Boston | Public Computer Center | $ [illegible] | MA |
| City of Los Angeles | Public Computer Center | $ [illegible] | CA |
| Empire State University | Public Computer Center | $ [illegible] | NY |
| Deaf Action Center of Louisiana | Public Computer Center | $ [illegible] | AL, CA, LA, TX |
| Fayetteville State University | Public Computer Center | $ [illegible] | NC |
| Housing Authority of the County of San Bernardino | Public Computer Center | $ [illegible] | CA |
| Las Vegas-Clark County Urban League | Public Computer Center | $ [illegible] | NV |
| Michigan State University | Public Computer Center | $ [illegible] | MI |
| Mission Economic Development Agency | Public Computer Center | $ [illegible] | AZ, CA, CO, ID, ME, MN, MO, NM, PA, TX |
| Mitchell County Health Coordinate Foundation | Public Computer Center | $ [illegible] | NC |
| New York State Education Department | Public Computer Center | $ [illegible] | NY |

# Broadband Technology Opportunities Program (BTOP)

## Application and Award Information, cont.

| Award Recipient | Category of Award | Award Amount | States the Initiative Impacted |
|---|---|---|---|
| [illegible] | Public Computer Center | $ [illegible] | [illegible] |
| Regents of the University of Minnesota | Public Computer Center | $ [illegible] | [illegible] |
| Santa Fe City Housing Authority | Public Computer Center | $ [illegible] | [illegible] |
| [illegible] | Public Computer Center | $ [illegible] | [illegible] |
| State Library of Louisiana | Public Computer Center | $ [illegible] | [illegible] |
| [illegible] | Public Computer Center | $ [illegible] | [illegible] |
| [illegible] | Public Computer Center | $ [illegible] | [illegible] |
| [illegible] | Public Computer Center | $ [illegible] | [illegible] |
| [illegible] | Sustainable Broadband Adoption

We were able to award grants in over 30 states, although some of our awards impact more than one state. Nonetheless, as we head into our second round of funding, we are very cognizant of our obligation under the act to award at least one grant in each state, to the extent practical.

Small businesses have been direct beneficiaries of these grants. Of the 20 awards to private businesses in round one, eight went to small businesses, one of which is a socially and economically disadvantaged business. These grants total over $73 million. Moreover, nearly 40 percent of the 82 broadband grants awarded in round one include socially and economically disadvantaged businesses as project partners. And beyond these direct awards to small business, hundreds of thousands of small businesses will benefit from our program through increased high-speed Internet availability for themselves and their consumers.

Let me give you just a few examples.

In Puerto Rico, Critical Hub Networks, a socially and economically disadvantaged business, will build a wireless broadband network that reaches every municipality in Puerto Rico and offers speeds of over 100 megabits per second to more than 1,500 schools and local Internet service providers.

In Maine, we awarded $25 million to a small business to build a fiber optic network extending to the most rural and disadvantaged areas of the state, which will improve the overall level of facilities in the state and enable last-mile service providers to offer services to homes and businesses throughout the state.

And in one of our multi-state projects, Mission Economic Development Agency is using our public computer center grant of almost $4 million to create or expand 17 computer centers in 10 states in partnership with Latino-serving economic development organizations. They will focus not just on delivering computer literacy training to Hispanic communities, but also to deliver specific educational programs to Latino micro-entrepreneurs interested in starting or growing their own businesses.

Those are just some of the examples of the types of projects we funded in round one, and while we are pleased with the response of small businesses in round one, we redoubled our efforts in round two to encourage and facilitate participation by small businesses and entrepreneurs.

As a key element, we developed an online tool called Broadband Match, or as we call it, eHarmony for broadband, which allowed interested parties to register online and find potential project partners. More than 1,400 entities signed up for Broadband Match, including many small businesses and SDBs. When the application window closed for the second round of funding last month, more than 450 organizations and individuals with profiles on Broadband Match had either submitted an application or were involved as a key partner on a round two application.

Additionally, we conducted workshops across the country to educate potential applicants on round two funding rules, including six pre-workshop events focused specifically on the issues of small businesses attempting to participate in our program. And as set out in our round two rules, we will be giving extra consideration

to an application that includes an SDB either as the applicant or as a project partner.

We saw the effects of these efforts on our round two application pool. Those have just come in. We are in the process of reviewing them. But we received a total of nearly 900 applications requesting $11 billion in grants; 21 percent of these applicants are small businesses; 24 percent of the applicants are either socially disadvantaged and economically disadvantaged businesses or have partnered with an SDB in their application, an increase from 14 percent in round one.

Our deadline to award round two grants is September 30, 2010. As you know, the Recovery Act does not provide authority or funding for administration or oversight of our projects beyond that date. Yet to realize the benefits of our program and to avoid waste and fraud, it is critical that we monitor and oversee these grants while they are being built and put into operation. For this reason, the President's fiscal year 2011 budget includes authority and funding for NTIA to continue to administer and monitor the these projects, and I urge members of this Committee to support expeditious funding for oversight beyond September to ensure that these projects deliver the benefits they promise and to protect the investment taxpayers have made for these projects.

Thank you again for the opportunity to testify, and I will look forward to your questions.

[The prepared statement of Mr. Strickling follows:]

**Testimony of**
**The Honorable Lawrence E. Strickling**
**Assistant Secretary for Communications and Information**
**National Telecommunications and Information Administration**
**United States Department of Commerce**
**Before the Committee on Small Business and Entrepreneurship**
**United States Senate**

**April 27, 2010**

Chairwoman Landrieu, Ranking Member Snowe, and Members of the Committee, thank you for the opportunity to testify today on behalf of the National Telecommunications and Information Administration (NTIA) on "Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access."

Consistent with President Obama's and Secretary Locke's vision of a nationwide, 21st-century communications infrastructure, Congress allocated $4.7 billion to NTIA for the implementation of two initiatives to increase broadband access and adoption across the country – the Broadband Technology Opportunities Program (BTOP) and the State Broadband Data and Development Program.

For small businesses, these Recovery Act broadband initiatives, along with the U.S. Department of Agriculture's Broadband Initiatives Program (BIP), present a significant win-win opportunity. Small businesses can receive these funds directly or partner with awardees, whether for broadband infrastructure projects, establishment or expansion of public computer centers, or implementation of sustainable adoption projects. On a broader scale, small businesses stand to be major beneficiaries of these projects through increased broadband availability for both themselves and consumers. Small businesses can leverage broadband for increased innovation and expanded commerce, as well as through the ability to generate greater efficiencies and cost

savings in their daily operations. With broadband access, these businesses and communities will have new opportunities to participate in and help build our Nation's economic recovery.

In addition to pursuing these Recovery Act initiatives, NTIA, as the President's principal adviser on communications and information policy issues, has also worked with the Federal Communications Commission (FCC) on broadband issues impacting small businesses. The National Broadband Plan ("Plan"), released by the FCC last month, provides a thoughtful blueprint for policy makers, legislators, and the Administration on ways to bring affordable broadband service to every American. Many of the recommendations contained in the Plan reflect activities and goals NTIA has already been working hard to implement. And as co-chair of a White House interagency group tasked with coordinating the Administration's consideration of recommendations contained in the Plan, I am focused on implementing broadband initiatives in a manner that delivers meaningful benefits to small businesses by driving innovation throughout all sectors of the economy.

My testimony today will focus on NTIA's Recovery Act broadband initiatives by describing the BTOP grants awarded to small businesses to date and demonstrating how hundreds of thousands of small businesses also are the indirect beneficiaries of BTOP grants. Then, I will provide an overview of small business participation in Round Two and our ongoing oversight and compliance activities of all awardees. Finally, I will discuss the Administration's consideration of the National Broadband Plan's recommendations and how these efforts will bring important commercial and innovative benefits to small businesses and the communities and consumers they serve. On this last topic, I'd like to highlight the opportunities the Department of Commerce has to partner with the Small Business Administration and the FCC to foster small business growth online.

## I. Direct and Indirect Benefits of Recovery Act Broadband Initiatives For Small Businesses.

The Recovery Act provides up to approximately $4 billion to fund infrastructure projects to expand and enhance broadband capacity and adoption in areas where the need is great. Overall, at least $250 million will be used to encourage increased and prolonged adoption of broadband services, and at least $200 million will enhance public computer center capacity to make it easier for those without computers or broadband at home to access the benefits of the Internet. These projects will not only meet the near-term economic stimulus objectives of the Recovery Act, but they also will continue to pay dividends far into the future in the form of improved education and healthcare, heightened innovation, and long-term local, national, and global economic benefits and increased competition.

### a. BTOP Grants in Round One.

In the first funding round, NTIA awarded 134 Recovery Act grants totaling approximately $1.3 billion. NTIA has funded projects in all 50 States, the District of Columbia, and several territories as well. This includes 52 broadband mapping grants totaling more than $100 million, and 82 BTOP grants worth more than $1.2 billion. These projects are designed to increase broadband access and adoption in communities, create jobs, and lay the groundwork for sustainable economic growth for years to come.

As of today, NTIA has funded 49 infrastructure projects, 20 public computer center projects, and 13 sustainable broadband adoption projects. These projects will improve broadband use and capabilities in 36 states and territories that are currently underserved or unserved.

In Round One, 20 for-profit entities received grants, all of which will fund infrastructure projects and which account for about $300 million or 25 percent of the $1.2 billion awarded. This includes awards to eight small businesses totaling over $73 million.[1] Below are descriptions of some of our awards to small businesses:

- In Maine, Biddeford Internet Corporation was awarded $25.4 million to build an open access fiber-optic network extending to the most rural and disadvantaged areas of the state – from the Saint John Valley in the north, to the rocky coastline of downeast Maine, to the mountainous regions of Western Maine – linking the unserved and underserved areas of the state together with a modern communications network. This 1,100-mile network will pass through more than 100 communities and make broadband more readily available to as many as 110,000 households, 600 community anchor institutions, and a number of last mile broadband service providers.

- In Idaho, First Step Internet was awarded $2.4 million to build a regional network of 10 microwave towers to extend high-capacity Internet service in the north-central part of the state. The project will directly connect 42 anchor institutions, including healthcare facilities, emergency response agencies, libraries, and government offices, as well as institutions that provide service to a Native American tribe. The 550-mile network will facilitate more affordable broadband Internet service for local consumers, including as many as 21,000 households and 700 businesses. The awardee is also partnering with the Nez Perce Tribe of Lapwai, Idaho for the use of its telecommunications and technology network services.

- In Oklahoma, Pine Telephone Company will use its $9.5 million grant for innovative wireless technology that will deliver affordable broadband service to portions of rural, remote, and economically disadvantaged areas in the southeast region of the state (within the Choctaw Nation) to spur economic growth and job creation and to enhance education, health care, and public safety. The project plans to offer broadband service to nearly 5,000 households and potentially benefit an estimated 84 small firms and home-based businesses. In addition, the project covers tribal lands and will collaborate with the Choctaw Nation to increase services to its government center, its outreach and education programs. These programs will include broadband education and building awareness of online resources that will increase broadband adoption.

- In Ohio and Pennsylvania, Zito Media Communications will use its $6.1 million grant to create a 382-mile fiber ring in high unemployment, low-income areas that are generally underserved by broadband due to low population density. The project will directly connect an estimated 60 community anchor institutions and will facilitate affordable broadband Internet service for local consumers, including as many as 135,000 households, 5,000 businesses, and more than 100 community-based organizations.

[1] For purposes of BTOP, NTIA defines a small business as a firm, including its affiliates, with average revenues of $40 million or less during the preceding three years.

Beyond these direct awards to small businesses, tens of thousands of small businesses are likely to benefit indirectly from BTOP projects, through increased broadband availability for themselves and their customers. The potential commercial benefits of broadband access for small businesses are clear, including more affordable access to information and job training for employees; improved access to partners, vendors, and suppliers; faster, more cost-efficient outreach to potential and actual consumers through Websites, emails, and e-commerce; more efficient business management through cloud computing and other online tools; and access to extremely expanded or even global markets. Greater broadband availability and use not only helps small businesses succeed, but also improves and enriches the lives of those living and working in the communities in which they do business.

Socially and economically disadvantaged businesses (SDBs) are also benefited by NTIA's recent awards. Specifically, 31 of the 82 grants awarded in the first round involve SDBs as project partners. These projects account for 38 percent of all first round BTOP grants.

During the first funding round, we found a compelling, common theme developing among the strongest, most sustainable infrastructure projects. We call them "Comprehensive Community" projects because they took a comprehensive approach toward meeting the unique broadband needs of communities as a whole by addressing the needs of several interest groups, engaging local partners, and leveraging public and private resources. These projects not only bring high-speed middle mile infrastructure into communities or regions that need it, but they also connect key community anchor institutions – such as libraries, hospitals, community colleges, universities, and public safety institutions. These projects will allow community institutions to obtain the robust broadband connections necessary to enable them to deliver critical services such as remote medical care, distance learning, online job training, access to e-

government benefits, and more. Building this core infrastructure will also enable providers of services to homes and businesses to improve their service offerings and reach neighborhoods that are not adequately served today. The Comprehensive Community theme also synthesizes the infrastructure, computer center, and broadband adoption aspects of our broadband program into a fully-integrated approach to solving the Nation's broadband challenges.

Some of the projects we've funded to date that illustrate the breadth and scope of the impact BTOP awards will have on small businesses and their surrounding communities include:

- In Arizona, California, Colorado, Idaho, Maryland, Minnesota, Missouri, New Mexico, Pennsylvania, and Texas, Mission Economic Development Agency (MEDA) will create new public computer centers and expand five existing ones for its Latino Microenterprise Tech Net project impacting 13 communities throughout the United States. It will connect Latinos to organizations with microenterprise and business development expertise. MEDA will be partnering with SDBs in multiple ways. For example, an SDB will help the awardee promote local economic development by providing customized technology training to help Latino entrepreneurs establish and grow businesses.

- In Louisiana, the state's Board of Regents will deploy 900 miles of fiber-optic network to expand broadband to some of the most economically distressed regions of Louisiana, which include an estimated 15,000 businesses. The 3,488-square-mile service area includes 12 impoverished parishes targeted by the state's Louisiana Delta Initiative and will spur more affordable broadband for an estimated 100,000 households and 1,200 anchor institutions, by enabling local Internet providers to connect to the project's open network at 38 points of interconnection.

- Also in Louisiana, the Deaf Action Center has prior and continuing partnerships with several SDBs. As a provider of services to the deaf, the Center contracts with certified sign language proprietorships owned by Black American females. The Center will install 81 new videoconferencing stations and enhance the user experience at 19 existing stations that serve individuals who are deaf or hard-of-hearing in Northwest Louisiana, and sites in Alabama, California, and Texas. Each state-of-the-art video conferencing unit is expected to connect to trained American Sign Language interpreters working at a central call center or otherwise remotely.

- In Michigan, Merit Network will build a 955-mile advanced fiber-optic network through underserved counties in Michigan's Lower Peninsula to serve institutions, businesses, and households. The project will improve broadband access for an estimated 45,800 businesses and also will make broadband more easily available to more than 886,000 households and 422 community anchor institutions. Merit Network has a Memorandum

of Understanding with Sky Telecom, LLC, which is a female owned small business with less than 20 employees. Sky Telecom will provide engineering, design, and implementation services to prepare facilities for the fiber optic network being delivered to the anchor institutions.

- In Indiana, Zayo Bandwith, LLC will deploy a 626 mile fiber-optic network. The project will provide 413 points of interconnection along the route, enabling last mile providers to serve an area with an estimated 480,000 households, 49,000 businesses, and almost 4,800 anchor institutions, including health centers, schools, public safety organizations, and government offices. Zayo Bandwith has agreements with six SDBs to assist with project construction, cabling, and installation.

- In Washington, the Inland Northwest Community Access Network will train an estimated 12,000 people over three years with an expected broadband adoption rate of 1,500 new broadband users, including 300 small businesses. The awardee will provide training from basic computer skills to advanced multi-media production, e-commerce, and Internet for small businesses, as well as conduct community-based outreach campaigns to highlight the benefits of broadband for vulnerable populations of Spokane. The awardee will educate small businesses about creating an online presence, selling on the Internet, and using social media, and low-cost, targeted web advertising.

- In Maryland, Coppin State University will provide broadband access and computer education to a low-income neighborhood with a high minority population. Consistent with the community's existing revitalization plan, Coppin State University, a minority serving institution, will establish a 60-workstation computer center for use by the local community, and will offer 15 training and educational courses on a regular basis, serving more than 500 users per week and more than 12,000 unique users within two years. Among the project partners is a small and disadvantaged business that will provide advanced technology integration and mixed network communications solutions.

- In North Carolina, MCNC, an independent not-for-profit broadband provider, will build a 494-mile network serving almost half the population of North Carolina in 37 counties, improving broadband access for 139,000 businesses. The project also will connect community colleges, the State's charter schools, 50 free healthcare clinics, 179 county health agencies and hospitals, 181 libraries and their public computer centers, and the three largest state museums. Additionally, it will enable service providers to directly connect to the network to make broadband more easily available to approximately 1.8 million households and more than 2,400 anchor institutions.

- In Massachusetts, the University of Massachusetts-Lowell proposes to increase the adoption of broadband services by working with a diverse set of partners and using an inter-generational approach to bridging the digital divide. The initiative is designed to reach low-income and at-risk youth, the unemployed, residents without college degrees, and seniors. The project intends to build out 11 public computer centers to serve 6,650 new broadband users and add 7,500 additional broadband subscribers in the Lowell and Merrimack Valley. The awardee has established agreements to create relationships with

two small businesses to assist with computer build out, repair, and on-site servicing for each year of the grant.

- In Georgia, the Columbia County Georgia Information Technology Department will build a 220-mile, county-wide fiber middle mile network to connect nearly 150 community anchor institutions. The project will create 60 free Wi-Fi hotspots in public locations to expand broadband Internet access for the public and encourage economic development, job creation, and education by enhancing broadband capabilities for critical community facilities in underserved areas. In addition, it will facilitate more affordable and accessible broadband service to approximately 33,000 households and 2,400 businesses by enabling local Internet providers to connect to their open network. The awardee is partnering with an SDB, which owns and operates a microwave broadband access network providing broadband services in a six-county regional area in and around Augusta.

**b. Benefits of the State Broadband Data and Development Grant Program.**

Comprehensive efforts to bring robust and affordable broadband to America benefit enormously from an accurate baseline picture of the current state of broadband. With the State Broadband Data and Development Grant Program funded by the Recovery Act, NTIA is now well-positioned to obtain the most complete set of data on the deployment of broadband service in communities across the country.

The Recovery Act directed that up to $350 million of BTOP funding be used for the development and maintenance of a national broadband inventory map. NTIA now has awarded 54 grants to 50 states, three territories, and the District of Columbia, totaling over $100 million. We have already received substantial amounts of data from our mapping grantees and have begun to assess the information. We are partnering with the FCC to utilize these data in the National Broadband Map, which will be available to the public no later than February 2011. The map will educate consumers and businesses about broadband availability, enable broadband providers and investors to make better-informed decisions regarding the use of their private capital, and allow federal, state, and local policy-makers to make more data-driven decisions on behalf of their constituents.

## II. Overview of Applications Received in Round Two.

The filing window for Round Two BTOP applications closed at the end of March and NTIA received 886 applications requesting well over $11 billion in funding for proposed broadband projects reaching across the United States. That's about four times as much as we will be able to fund. When including the approximately $4.5 billion in matching funds committed by applicants, there are over $15.5 billion in proposed broadband projects under consideration in this round.

These applications are closely aligned to the Comprehensive Community framework and aim to further expand broadband access and adoption to help bridge the technological divide; expand economic opportunities; create jobs; and improve health care, education, and public safety. The applications were submitted by a diverse range of applicants including state, local, and tribal governments; nonprofits; industry; anchor institutions, such as libraries, universities, community colleges, and hospitals; public safety organizations; and other entities in rural, suburban, and urban areas.

To improve opportunities for small business participation in BTOP's second round, NTIA sought and received the Small Business Administration's approval to enlarge the small business size standard for BTOP. Accordingly, a small business is a firm that, together with its controlling interests and affiliates, has gross revenues not exceeding $40 million for the preceding three years. We appreciate the Small Business Administration's assistance in advancing our mutual goal of enhancing opportunities for small business participation in Recovery Act programs.

NTIA made a special effort to reach out to small businesses and entrepreneurs in the BTOP second round and we are pleased with their response. NTIA's outreach to small

businesses included the establishment of BroadbandMatch, which allows applicants to identify potential project partners. This online tool helped small business infrastructure providers to strengthen their application by identifying potential project partners, like universities, hospitals, or libraries for a proposal to bring high-speed Internet service to their facilities. Approximately 1,500 entities signed up for BroadbandMatch, including anchor institutions, small and disadvantaged businesses, non-profits, public safety entities, municipalities, tribal organizations, technical experts, and others. This forum led to truly comprehensive projects that meet the broad needs of entire communities.

The level of small business involvement also shows that our traditional outreach efforts proved effective. To assist potential applicants, NTIA and RUS embarked on an education campaign earlier this year, holding grant workshops across the country, including six pre-workshop events to encourage minority stakeholders, including SDBs, to participate in the Recovery Act's broadband initiatives. Three of these events focused specifically on developing successful BTOP proposals to close the digital divide in minority communities. In Atlanta, NTIA also partnered with the Minority Business Development Agency (MBDA), our sister agency at the Commerce Department, to present a vendor fair in conjunction with a minority outreach pre-workshop event to facilitate opportunities for potential applicants to meet SDB partners. NTIA continues to collaborate with MBDA and the Department of Commerce's Office of Small and Disadvantaged Business Utilization to identify SDB contracting opportunities for BTOP grantees.

NTIA was also pleased to see strong participation from SDBs in the second funding round. Of the approximately 886 applications to the BTOP program, 208 were from SDBs or from applicants collaborating with SDBs. Specifically, 72 SDBs applied, and another 136

applicants indicated collaboration with SDBs, either as sub-awardee, contractor, subcontractor, or vendor. In this round, 189 small businesses requested approximately $3.25 billion in federal grants with a total match commitment of $1.3 billion.

**III. Oversight and Compliance.**

With Round One of BTOP completed and Round Two well underway, NTIA is focused on oversight of all awardees to ensure their compliance with the conditions of their grants. Since the inception of the program, NTIA has worked with the Department of Commerce's Inspector General to design the program in a manner that minimizes the risk of waste, fraud, and abuse. NTIA is committed to ensuring that taxpayers' money is spent wisely and efficiently and has worked to develop comprehensive monitoring, reporting, and oversight systems to ensure that BTOP funds fulfill the purposes of the Recovery Act.

For instance, grant recipients are required to report quarterly and annually on the progress of their projects and their use of grant funds, with a deadline for the first BTOP quarterly and financial reports of April 30. In addition to BTOP-specific reporting requirements, grant recipients are complying with Recovery Act reporting requirements that include detailed information regarding the use of funds and jobs created. The first awardees are in the early stages of turning their funded proposals into reality; mapping grantees are providing their first data sets. It will be important to measure the results against the baseline, capture the lessons learned, and share the information so that successes can be replicated.

In the short term, these Recovery Act investments promise to create jobs to build infrastructure, install computers, and develop and implement outreach to broadband consumers. At this early stage, it is impossible to predict the precise number of jobs the BTOP program will create. However, the jobs range from the manufacture of fiber optic cable and other high-tech

components, to the stringing of that fiber from pole-to-pole, to trenching, and to the installation of broadband networking hubs. Computer centers need to be built, and new computers and related hardware and software will be installed and networked into public computing centers. Outreach strategies need to be planned and executed, and trainers will need to be trained how best to provide communities with needed broadband information and skills. The data we collect in the near-term will show how the broadband initiatives contributed to the overall Recovery Act economic stimulus activity. It will also start establishing the measurable impact these projects will have.

In the longer-term, BTOP investments will have secondary benefits that will be critical to our Nation's overall economic future. BTOP-funded projects will help bridge the digital divide, improve the Nation's education, improve access to better health care, heighten safety and security, increase employment options, foster innovation, and boost economic development for communities held back by limited or no access to broadband. These investments also will help preserve America's economic competitiveness in the world, and, in particular, will accrue benefits to disadvantaged, rural, and remote America. The ripple effects of these broadband investments could be positively transformative.

Looking forward, I am confident that the NTIA team will continue to meet the challenges that will arise between now and September 30th. As you know, the Recovery Act does not provide authority or funding for administration and oversight of BTOP-funded projects or maintenance of the national broadband plan beyond Fiscal Year 2010. For this reason, the President's FY 2011 budget includes authority and funding for NTIA to administer and monitor the execution of grant projects and to protect taxpayer investment. These funds are vital to

ensuring that BTOP projects are sustained, and I look forward to working with you to achieve this important objective.

## IV. Leading Administration Efforts to Realize the Promise of the National Broadband Plan.

The recent issuance of the National Broadband Plan was an important milestone in the Recovery Act's broadband provisions. The Plan discusses the cross-cutting importance of broadband in modern society, analyzes mechanisms for ensuring and maximizing the availability of broadband access to all, and makes many recommendations on improving the nation's broadband landscape. The Plan includes several recommendations that may benefit small businesses, which NTIA and the rest of the Administration are considering.

Upon the FCC's issuance of the National Broadband Plan, President Obama committed to "build upon [] efforts over the past year to make America's nationwide broadband infrastructure the world's most powerful platform for economic growth and prosperity." To that end, U.S. Chief Technology Officer Aneesh Chopra established a Broadband Subcommittee of the National Science and Technology Council's Committee on Technology, co-chaired by myself and Scott Blake Harris, General Counsel of the Department of Energy. The White House directed this group to review the Plan and advise the Administration on actions it can take to increase broadband access and adoption and use broadband to address many of the nation's challenges.

To start the process, the interagency group has held its inaugural meeting and is now collecting information from each Executive Branch agency discussed in the Plan as potentially having a role to play in the coordinated effort to increase nationwide access to broadband. The interagency group will consider the programmatic, legislative, and policy actions that may be appropriate for the Administration to undertake in furtherance of its broadband objectives. The

White House interagency group is mindful that the Plan is not the end of the story but merely an excellent catalyst for Administration action. We look forward to considering these and the other recommendations in the Plan in the coming months.

In particular, I look forward to the prospect of my umbrella agency, the Department of Commerce, partnering with the other two federal agencies represented on today's panel. The Small Business Administration has an extraordinary set of tools for supporting that important sector of our economy. In the Plan, the FCC recommits itself to lending its expertise to small business growth. The Department of Commerce has its own tools. Our Economic Development Administration supports development projects in distressed areas, our Minority Business Development Administration supports growth of minority-owned businesses, and our International Trade Administration (ITA) is tasked with helping companies of all sizes access foreign markets. We are confident that, with appropriate coordination, we can use these tools to reinforce the efforts of the SBA and FCC, and as a result accelerate the growth of small business activity online.

**V. Conclusion.**

Thank you again for the opportunity to testify. I am happy to answer your questions.

Chair LANDRIEU. Thank you very much.

Mr. Adelstein.

**STATEMENT OF HON. JONATHAN ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE, U.S. DEPARTMENT OF AGRICULTURE**

Mr. ADELSTEIN. Thank you, Chair Landrieu, and thank you for all your leadership on broadband issues. I enjoyed announcing that Louisiana project together with you recently and all that you have done to make sure Louisiana is second to none in terms of broadband connections.

And, Senator Snowe, Ranking Member Snowe, it has been great to work with you over the years. I appreciate your leadership on schools and libraries and on broadband generally, both as a member of the Commerce Committee and former Chair here.

And, Senator Hagan, thank you for your leadership as well. I was just in Asheville, North Carolina. I think the President followed me shortly thereafter. But I saw both the beauty and the needs of rural North Carolina for broadband service, and we are committed to serving that area.

We certainly are glad to be here. It is great to have a broader band to testify with. I am especially honored to be with the Chairman of the FCC, Chairman Genachowski, who has done such an outstanding job of leading the Commission, both in terms of the National Broadband Plan and so many other fronts, and, of course, to be with my friend Larry Strickling, who has been such an outstanding partner in the stimulus broadband effort. And it is great to partner also with our friends from the SBA, and we are looking to working with them. And Cheryl Johns, who we work with at the FCC, is your person here on the Committee. It is good to see you here.

We certainly are committed, the Obama Administration, as you have heard, to getting broadband out, and Secretary of Agriculture Vilsack has put this at the very top of his agenda, one of the pillars that he sees as critical for the future of rural America, making sure that broadband is everywhere. And we appreciate your guidance as we implement this major undertaking.

Broadband connectivity can help new and small businesses to thrive. Rural business, farmers, ranchers, need broadband to expand markets and compete in the global economy. USDA studies have clearly shown that rural employment growth and wages increase with broadband availability. And RUS knows how to work with small businesses and entrepreneurs, and we know how to do it in our broadband program. Nearly all of our borrowers under the farm bill broadband loan program have been small businesses; 35 percent are start-ups. So we have been doing this for many years. And the same is true under the Recovery Act. Small businesses have played a big part in both of our two Notices of Funding Availability, or NOFAs, for the RUS program.

Under the first NOFA, a very large number of applications came from small businesses, minority-owned firms, Indian tribes, and Native Alaskan and Native Hawaiian organizations. In that round, RUS awarded over $1 billion for 68 broadband projects. That will connect over half a million households, nearly 100,000 rural busi-

nesses, and anchor institutions such as schools, libraries, and community facilities. These broadband projects span 31 states and 1 territory, and they include 17 tribal lands in rural communities.

Funding was awarded also to a very diverse group of providers—from very small telecommunications companies, wireless providers, rural electric and telephone cooperatives to cable providers—to build out our rural networks and create urgently needed jobs in rural America.

Funds were awarded to small and disadvantaged businesses and Indian tribes, and these projects also feature a very wide array of technologies, from DSL broadband to coaxial cable to fiber optics to wireless. In fact, 37 percent of our awardees had a wireless component.

The experience RUS gained from the first NOFA, as well as feedback from this Committee and others, has informed a number of improvements that we made in the second round of funding. For NOFA II, is offering a 75-percent grant, 25-percent loan combination, with incentives for higher loan components. We eliminated the category for remote projects. We instead offered flexibility to increase the grant up to 100 percent for the most rural areas and those with low median income and high unemployment.

USDA is going to focus in this round on last-mile projects, which directly connect to homes, businesses, and community anchor institutions. USDA will continue to finance middle-mile projects, primarily for current RUS borrowers and grantees.

The second NOFA also allows satellite providers to compete for around $100 million to provide service to rural customers that remain unserved after all other funds have been obligated. Awardees of both NOFAs and applicants under NOFA II can apply for technical assistance grants for the development of a USDA-approved Regional Broadband Plan. Awardees under either NOFA can also apply for grant funds to provide broadband connectivity to rural libraries that were funded by our community facilities program. We expect to announce the ground rules for these programs very shortly.

And we continue to focus on rural and unserved areas for economic development in terms of eligibility. While we are in the process of reviewing the applications for the second NOFA, we are thrilled at the level of response. RUS received about 776 applications for nearly $11.2 billion in funding. That is over five times the amount available. About 60 percent of the applications were companies that identified themselves as small businesses and disadvantaged firms. Nearly 76 percent of applications were submitted by for-profit corporations. Around 4 percent of the applications were by public entities. And we got 21 applicants that were Indian tribes.

We believe our 60 years of experience in providing telecommunications at USDA will help us prepare to deliver broadband and encourage development of locally owned businesses. Our goals are to modernize the Nation's infrastructure, create or save jobs, and work towards rural economic development. We certainly welcome input from members of this Committee as we are reviewing this next round of applications. It is an honor to work with you and

with our partners throughout the Obama Administration to make affordable broadband service widely available throughout America.

Thank you for inviting me to testify, and I welcome any questions you might have.

[The prepared statement of Mr. Adelstein follows:]

**Statement of Jonathan Adelstein**
**Administrator, Rural Utilities Service**
**United States Department of Agriculture**

**Before the Small Business & Entrepreneurship Committee**
**U.S. Senate**
**April 27, 2010**

Chairman Landrieu, Ranking Member Snowe, and distinguished members of the Committee, thank you for the opportunity to testify on the U.S. Department of Agriculture's Broadband Initiatives Program (BIP).

Your support and guidance as we implement this critical infrastructure program is deeply appreciated. The Obama Administration and Secretary of Agriculture Tom Vilsack share your goal of improving access to affordable broadband service. Under the American Recovery and Reinvestment Act of 2009, USDA's broadband program is designed to both deliver broadband service to unserved and underserved areas and help create jobs.

As members of this Committee know, broadband connectivity lays the foundation for economic development. Broadband can diminish the geographic challenges of time and distance to help rural areas compete in the global marketplace. Broadband can help new small and home-based businesses thrive and provide access to new markets. For example, livestock auctions, which used to require ranchers to travel long distances to bid, are now widely conducted over the internet. Broadband connections to the ranch are often necessary for full market participation. Not only does broadband permit ranchers to follow the market more closely from remote locations, but the Internet can bring in those who otherwise could not participate to create a more robust and competitive marketplace. The USDA Economic Research Service study published august, 2009

noted that rural businesses use broadband to increase market ranges, sales and customer service through e-commerce. Nonfarm employment growth is significantly related to broadband lines per capita. Broadband also delivers, for example, health care services through telemedicine and offers educational opportunities through distance learning, among many other benefits.

Building better networks to improve access to affordable high speed Internet service is not only central to jumpstarting our rural economy by creating urgently needed jobs now, but will also enhance the quality of life for rural families and businesses for years to come. This is a centerpiece of USDA's overall mission. On behalf of Secretary Vilsack, I am here to say that USDA stands prepared to fulfill its rural broadband mandate outlined by Congress and the President.

The programs Secretary Vilsack, the Administration and this Congress have put into place—infrastructure investment, renewable energy innovation, local and regional food system expansion, regional collaboration and building out broadband—are key components of USDA's efforts to rebuild and revitalize economic growth in rural America.

We have worked closely with the National Telecommunications Information Administration (NTIA) and the Federal Communications Commission in our efforts to fulfill the President's vision for delivering broadband access nationwide. Assistant Secretary Lawrence Strickling has been an invaluable partner throughout this process. Federal Communications Commission, led so ably by Chairman Julius Genachowski, has made significant advances toward the broadband program with the release of the National Broadband Plan, as well as its ongoing efforts. Yet, we all recognize that there is much work ahead of us.

**Status of Program**

Under the first funding notice, RUS and NTIA received over 2,200 proposals from applicants wanting to improve broadband service nationwide.

For the first funding round, 401 applications were BIP-only requesting a total of $4.974 billion; another 833 applications were joint applications to BIP and NTIA's Broadband Technology Opportunities Program (BTOP) totaling $12.791 billion.

Small and disadvantaged businesses have been active participants in both funding rounds. Based on information collected during the first funding round, approximately 181 applications requesting $2.9 billion from BIP came from small businesses, minority owned firms, Indian Tribes, and Native Alaskan and Native Hawaiian entities.

As of March 30, RUS completed funding awards under the first funding round and notified those applicants not awarded funds of the reasons. The most common reasons applicants were not funded were that they applied as proposing to serve "remote" areas, when in fact the areas they were proposing to serve did not meet the remote definition. The second major reason was that applicants requested a grant amount greater than the 50 percent allowed for non-remote applicants. Based on stakeholder feedback from the Request for Information, and input from Congress, RUS made changes to both of these provisions in the second Notice of Funds Availability (NOFA), and we have urged applicants not funded to apply for the second funding round.

At the conclusion of the first round, RUS awarded $1.067 billion for 68 broadband projects, reaching more than 529,000 households and 96,000 rural businesses and anchor institutions, such

as schools, libraries and other community facilities. These broadband projects span 31 states, 1 territory, and include 17 Tribal Land areas in rural unserved and underserved communities.

Funding was awarded to a diverse group of providers – from small telecommunications companies, wireless providers, rural electric and telephone cooperatives to cable providers - to build out our rural networks and createurgently needed jobs in rural America. Over $50 million was awarded to small and disadvantaged businesses, Indian Tribes and a Native Alaskan entity. In total, these organizations represent approximately 10 percent of awards and include projects in Alaska to benefit subsistence-level Alaska Native communities. These projects feature a variety of internet technologies, from DSL broadband to fiber optic cable to wireless, to be deployed in rural areas nationwide.

Among the small business awardees, for example, The Tohono O'odham Nation service area of this wireless and wireline project covers 4,341 square miles of remote lands with rugged mountains and broad desert valleys within the Sonoran Desert—an area roughly the size of the State of Connecticut. This area comprises the entire Tohono O'odham Reservation. Commerce and job opportunities are very limited. The percentage of residents living below the poverty level is over 50 percent in most of the area.

This project would make broadband service available to nearly 3,000 households, offices and businesses in the Tribal Nation's capital city. In addition to home-based and other businesses, the project will make broadband service available to fire/ambulance departments that provide first responder service in the area. Home health providers will benefit from the ability to transmit real-time patient information from the field. Two of public school districts serving 1,400 students will benefit from broadband service to facilitate learning at home. Telemedicine will also benefit from

the availability of broadband service to the reservation enabling "virtual" hospitals and clinics and aiding visiting nurses who need real-time access via broadband connectivity. The availability of such jobs would encourage many young members to obtain a high school diploma and utilize their broadband network to obtain degrees in higher education.

In Iowa, the Eastlight, LLC wireless project will bring broadband to 144,000 rural residents in 111 communities and will offer service to more than 32,000 businesses and 370 public institutions, including town and village halls, police departments, volunteer and community-funded fire departments, EMS and local health care centers, day care and pre-schools and libraries. Many of these community institutions were previously unserved or underserved with broadband Internet.

The Big Island Broadband/Aloha Broadband Inc., wireless project will bring broadband to a remote and geographically diverse area. Because of the extreme rural nature of The Big Island, there are only a few community anchor institutions located within the service area, which includes 600 households and businesses. As broadband infrastructure becomes available, more institutions are likely to move into these communities.

The experience RUS gained from reviewing the applications for the first round of funding, as well as feedback we received from this Committee and others, resulted in a number of changes for the second NOFA.

**Changes in NOFA II**

The first NOFA was published jointly by USDA and the Department of Commerce. The NOFA required that all "rural" applications had to be filed with USDA or jointly with USDA and Commerce. Both USDA and Commerce received comments from the public and Hill over the "joint" application process.

As a result, in the second round, RUS and NTIA issued separate but coordinated NOFAs to better promote each agency's distinct objectives. Applicants had to choose between BTOP and BIP. In addition, USDA now offers one product, which is a 75/25 grant/loan combination with incentives for higher loan components.

For the second NOFA, USDA eliminated the separate funding category for "remote" projects, as suggested by many members of this Committee. Instead, USDA offers higher points for projects in the most rural areas and has flexibility to increase the standard 75 percent grant to up to 100 percent grant to the most rural areas and those areas with density issues, low median income, and high unemployment.

USDA and Commerce have elected to concentrate on specific types of projects. Commerce will focus on Middle Mile projects and USDA will focus on Last Mile projects, which are urgently needed in many rural communities and which directly connect to homes, businesses and key community anchor institutions. USDA will finance Middle Mile projects for current RUS borrowers and grantees.

The second NOFA also provides more flexibility. For example, after the initial review of complete applications, RUS can elect a "second review" of meritorious applications that need additional work but which might otherwise meet Recovery Act objectives.

USDA may also accept an application from Commerce which it cannot fund but appears meritorious under USDA's BIP program. And, we can add priority points for projects that provide significant assistance to essential community facilities, promote rural economic development, and support persistent poverty counties or chronically underserved areas, including Tribal Lands.

**Streamlining the application process**

USDA received many comments on how to improve the application process. These suggestions led to the decision to issue separate NOFAs and to increase efficiency by eliminating the two-step application.

In addition, applicants previously had to list all Census blocks in their application. USDA's mapping tool now does this for them.

**Additional Funding Opportunities**

To ensure that all Recovery Act BIP funds are judiciously utilized, additional funding opportunities will be offered to ensure the long term benefits of the program in rural America.

The second NOFA allows satellite providers to compete for approximately $100 million to provide equipment and installation to rural premises—customers—that remain unserved after all other Recovery Act funds are obligated.

Awardees of both NOFAs, and applicants under NOFA 2, can apply for Technical Assistance grants for the development of a USDA-approved regional broadband plan. This will further broadband deployment and rural economic development beyond projects funded by the Recovery Act. Indian Tribes are encouraged to apply for the Technical Assistance grants whether they are awardees under both NOFAs or applicants under NOFA 2.

Awardees under either NOFA may also apply for grant funds to provide broadband connectivity to rural libraries funded by USDA's Community Facilities program.

**Modification of Eligible Service Areas**

In this second NOFA, RUS focused efforts on rural economic development and unserved rural areas. As a result, any rural area where at least 50 percent of the premises in the area lack access to broadband service at the rate of 5 Mbps (upstream and downstream combined) will qualify for funding. USDA has determined that these areas lack high speed broadband service sufficient to facilitate rural economic development as required by the Recovery Act. Service offerings must still be within proposed funded service areas which are at least 75 percent rural as required by the Recovery Act.

**Cost Effectiveness**

To effectively leverage Recovery Act broadband funds for Last Mile projects, RUS will limit Federal assistance to no more than $10,000 per premise passed, unless a waiver is granted. In review of waiver requests, RUS will consider whether the application provides assistance to a significant number of critical community facilities, supports a recognized rural regional development plan, supports public safety projects, enhances broadband service to rural libraries, or supports persistent poverty counties or substantially unserved areas, including Indian country. If the waiver request is denied, any award may be made contingent on improving cost effectiveness, or the application may be placed in the second review process and the Applicant will have an opportunity to revise its proposal.

**Outreach Efforts**

Outreach to the general public continues to focus on distribution of information to national, regional and local print and broadcast media. Additional information for the public has been provided in testimony before various Federal committees, such as this hearing. USDA staff have also participated as both panelists and keynote speakers for associations, state and regional governments, and at inter-agency functions.

Following the announcement of the second NOFA, RUS and NTIA conducted nine additional workshops for the general public to help prospective applicants better understand the mission, scope, process and requirements of the BIP and BTOP programs. The FCC was also invited to participate to provide information for prospective applicants regarding broadband technology and licensed spectrum. RUS and NTIA also jointly hosted six Pre-Workshop Outreach Events targeted toward vulnerable populations, including minority groups and tribal entities who otherwise might not fully participate in the Recovery Act broadband programs.

**NOFA II Applications**

On January 15, 2009, RUS and NTIA announced their second NOFAs for the BIP and BTOP programs, with the windows for accepting applications opening on February 16th. This funding window for BTOP infrastructure applications closed March 26, 2010, at 10 p.m. EDT, and the window for BIP applications closed March 29 at 10 p.m. EDT.

RUS received approximately 776 applications for nearly $11.2 billion in program authority—in excess of $7 billion in budget authority-- under this second funding notice.

From preliminary data, we estimate that approximately 4 percent of the applications were submitted by public entities. Nearly 76 percent of applications were submitted by for-profit corporations. About 430 of these applications—almost 60 percent of the total—were from small businesses and disadvantaged firms, and another 21 applicants were submitted by Indian Tribes.

While more than one-half of the round 2 applicants did not apply in round 1, approximately 25 percent of round 1 awardees submitted a round 2 application; over 40 percent of those not awarded funds during the first round submitted a round 2 application. Most applicants submitted one application for broadband funding; just over 60 applicants submitted multiple applications to deliver broadband service in rural areas.

The focus for RUS during this second funding round was for last-mile projects, and accordingly, 746 applicants submitted applications to build last-mile projects. The remaining applications were for middle-mile projects. The applications and associated proposed maps of coverage areas have been and will continue to be posted on www.broadbandusa.gov for public review and comment.

Our goals continue to be to modernize our nation's infrastructure, create or save jobs and work toward rural economic development goals. USDA's Economic Research Service (ERS) studied the economic effects of having broadband access in rural communities. The result of this effort was the publication about six months ago of a report titled, "Broadband Internet's Value for Rural America." This report concluded that employment growth was higher and non-farm private earnings greater in counties with a longer history of broadband availability. In addition, this report found key benefits of broadband access in rural communities, such as access to online course offerings for students in remote areas and the access to telemedicine and telehealth services for rural patients in need of urgent and often specialized care. Agricultural producers and farm based businesses rely on internet access to conduct sales transactions, marketing and advertising, monitor real time changes in the commodities markets and track global trends that impact US crop prices to stay in business. The direct benefits of broadband to the rural economy are tangible and significant. Specifically, rural businesses use broadband to increase market ranges and sales through e-commerce and reduce marketing costs. The report noted that total nonfarm employment growth was significantly related to broadband lines per capita.

The report also clearly notes that areas with low or dispersed populations, or demanding terrain, generally have difficulty attracting broadband service providers. These characteristics can make the fixed cost of providing broadband service too high to make a business case for investment. That is also where our years of expertise with a variety of technologies have a distinct advantage.

We welcome input from the Members of this Committee as we begin review of the applications from round 2. We will continue to ensure that implementation of the Recovery Act broadband initiative is a collaborative and coordinated effort with our partners at the NTIA, and we will

continue to work to make this process as transparent and efficient as possible. The purpose of the Recovery Act is to spur job creation and stimulate long-term economic growth and investment. To date, we remain on track to obligate the $2.5 billion in broadband budget authority by September 30, 2010.

This program is proof that leadership, policy support, resources, and community support overcome barriers to broadband expansion. Rural communities will always face challenges in competing economically. But rural communities are stronger today because of the partnership forged with USDA's Rural Development. Our ability to fund rural infrastructure to encourage the development of locally owned businesses and help grow rural economies is a result of your work. It is an honor and privilege to work with you and our federal partners throughout the Obama Administration to make affordable broadband service widely available throughout rural America.

Thank you again for inviting me here to testify and I will be glad to address any questions you have.

Chair LANDRIEU. Thank you very much.
Ms. Walthall.

**STATEMENT OF SUSAN WALTHALL, ACTING CHIEF COUNSEL, OFFICE OF ADVOCACY, U.S. SMALL BUSINESS ADMINISTRATION**

Ms. WALTHALL. Chair Landrieu, Ranking Member Snowe, Senator Hagan, good morning, and thank you for the opportunity to appear before you today. I am Susan Walthall, Acting Chief Counsel for the Office of Advocacy at the U.S. Small Business Administration. In the interest of time, I will summarize my prepared testimony and ask that the full statement be included in the record.

Congress established the Office of Advocacy in 1976 to represent the views of small businesses before Federal agencies and Congress. As Advocacy is an independent office, the views expressed in this testimony do not necessarily reflect the position of the administration or the SBA.

On a personal note, Chair Landrieu, I was able to spend several months in New Orleans immediately after Hurricane Katrina through my work with the SBA. That experience reinforced to me the importance of broadband communication to small businesses and communities.

The Office of Advocacy has been and continues to be active on a number of small business broadband issues. On behalf of small businesses, we have filed comment letters on the guidelines for the Broadband Technologies Opportunities Program and the Broadband Initiative Program, the FCC's role, and the national rural broadband strategy. A listing of our numerous comment letters is included in Appendix A to my written testimony. We were pleased to work with NTIA on the Recovery Act's BTOP program and be part of the efforts to include small and socially and economically disadvantaged businesses. We were happy to hear that survival businesses chose to partner with SDBs.

In addition, we have advocated for increased access to spectrum by small businesses through the FCC's Designated Entity Program, special access reform, and a competitive regulatory approach to the U.S. telecommunications industry.

Today I will highlight two key areas: first, I will explain the challenges faced by small business providers; second, I will discuss the study that my office is conducting on broadband and small business as directed by this Committee.

My office works closely with small broadband providers to understand the unique barriers they face. We recently visited the offices and field operations of MetroCast, a small independent cable operator in St Mary's County in rural Maryland. We saw firsthand the difficulties MetroCast was facing in connecting service areas separated by inaccessible terrain. Our visit helped us understand what a true mom-and-pop broadband provider looks like and why they are so important to many of our communities.

Two problems for small business providers are special access and acquisition of spectrum. Small carriers have continuously reported increased rates for special access. The current price of special access specifically demonstrates a lack of competition in the market. Incumbents are able to raise prices without losing customers. The

combination of high prices and few alternatives creates a difficult burden for these small business providers. Advocacy is committed to working with the FCC to ensure that small entities are able to acquire spectrum.

The 2006 revision to these rules has encumbered small business participation in FCC spectrum auctions. Advocacy urges the FCC to consider amending its designated entity rules allowing smaller computers to compete in spectrum auctions with the use of bidding credits.

The Broadband Data Improvement Act of 2008 directed Advocacy to conduct a study to evaluate broadband availability for small businesses. I want to thank Senators Landrieu, Snowe, and Kerry for spearheading this important study. This study, due in the fall, will provide valuable information on broadband options currently available to small businesses. It will provide a baseline against which the success of the broadband grant and loan programs can be evaluated. Results will geographically highlight small businesses that are in underserved areas and determine just how limited their service choices are and how this affects the price of broadband. The study will match service availability with small business location, allowing small service providers to enter the market and offer innovative products to these regions.

Broadband allows small businesses throughout the U.S. to access customers, fostering greater small business contribution to economic growth and job creation. We are ready to work with everyone here to make universal broadband a reality. Thank you for allowing me to present these views. I will be happy to answer any questions.

[The prepared statement of Ms. Walthall follows:]

*Advocacy: the voice of small business in government*

***Testimony of***

***Susan Walthall***
***Acting Chief Counsel for Advocacy***
***U.S. Small Business Administration***

***U.S. Senate***
***Committee on Small Business and Entrepreneurship***

| | |
|---|---|
| **Date:** | April 27, 2010 |
| **Time:** | 10:00 A.M. |
| **Location:** | Room 428-A<br>Russell Senate Office Building<br>Washington, D.C. |
| **Topic:** | Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access |

*Created by Congress in 1976, the Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. The Chief Counsel for Advocacy, who is appointed by the President and confirmed by the U.S. Senate, directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Issues are identified through economic research, policy analyses, and small business outreach. The Chief Counsel's efforts are supported by offices in Washington, D.C., and by Regional Advocates. For more information about the Office of Advocacy, visit* ***http://www.sba.gov/advo****, or call (202) 205-6533.*

Chair Landrieu, Ranking Member Snowe, and members of the Committee, good morning and thank you for the opportunity to appear before you today. My name is Susan Walthall and I am the Acting Chief Counsel for the Office of Advocacy at the U.S. Small Business Administration (SBA). Congress established the Office of Advocacy in 1976 to represent the views of small entities before federal agencies and Congress. Advocacy is tasked with ensuring federal agencies' compliance with the Regulatory Flexibility Act (RFA). As Advocacy is an independent office, the views expressed in this testimony do not necessarily reflect the position of the Administration or the SBA. Our office conducts research on important small business issues and echoes the concerns of small businesses on these issues.

Advocacy has been and continues to be active on a number of small business broadband issues. We have filed comment letters on the guidelines for the Broadband Technologies Opportunities Program (BTOP) and the Broadband Initiative Program (BIP), the FCC's consultative role, and the national rural broadband strategy.[1] In addition, we have advocated for increased access to spectrum by small businesses through the FCC's designated entity program,[2] special access reform,[3] and a competitive regulatory approach to the U.S. telecommunications industry.[4]

I would like to commend Congress and our federal partners for their work to expand broadband access and to increase broadband adoption by small business customers throughout this country. Advocacy was pleased to see the Commission's focus on competition in Chapter 4 of the National Broadband Plan, as well as the detailed recommendations for economic

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[1] Comments of the Office of AdvocacyFiled with both the FCC and the NTIA, GN Docket No. 09-40, NTIA/RUS Docket No. 090309298-9299-01 (filed April 13, 2010), comments of the Office of Advocacy filed with NTIA, NTIA/RUS Docket No. 090309298-9299-01 (filed April 13, 2010). All Advocacy comments cited here can be found at www.sba.gov/advo/laws/comments/telecommunications.html and are listed from 2001 on in Appendix A.
[2] Comments of the Office of Advocacy, WT Docket No. 06-150, PS Docket No. 06-229 (filed May 21, 2007).
[3] Comments of the Office of Advocacy, WC Docket No. 05-25 (filed Aug. 8, 2007).
[4] Comments of the Office of Advocacy, WC Docket No. 07-97 (filed July 25, 2008).

opportunity and entrepreneurship in Chapter 13.[5] We hope that the FCC will continue to consider the small business impacts in its ongoing and future rulemakings related to the National Broadband Plan.

In addition, my office was pleased with the National Telecommunications and Information Administration's (NTIA) efforts to include small and socially and economically disadvantaged businesses (SDBs) in the Recovery Act's broadband programs. Advocacy participated in a number of interagency coordination meetings to ensure that small businesses had a meaningful opportunity to participate in these funding programs. We assisted NTIA with a letter to the SBA Administrator, in an attempt to raise the threshold defining small business. We were pleased to hear that several businesses chose to partner with SDBs on these projects.[6]

My testimony today will focus on three key areas. First, I will highlight the importance of small businesses as economic drivers and customers of advanced telecommunications services. Second, I will explain the challenges faced by small business providers. Finally, I will discuss the study that my office is conducting on broadband and small business, as directed by this committee under the Broadband Data Improvement Act of 2008.[7]

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[5] Connecting America: the National Broadband Plan, www.broadband.gov/plan/.
[6] Preliminary numbers from NTIA on Phase 1 of the Recovery Act grants show that 31 projects had SDB partners and that at least 8 small businesses received awards totaling over $73 million.
[7] 122 Stat. 4096 Public law 110-385- October 10, 2008.

**Small Business and Broadband**

Small business is a key driver of our economy. Recent data show that small businesses make up 99.7 percent of all U.S. employer businesses, and employ just over half of all private sector employees. These small entities have generated 64 percent of net new jobs over the past 15 years, and have created half of the non-farm gross domestic product.[8]

Small business is also a key driver in our innovation economy, producing 13 times more patents per employee than large patenting firms. These patents tend to be cited more frequently than those of large firms. Finally, small businesses make up 97.3 percent of all identified exporters and produced 30.2 percent of the known export value in 2007.[9]

While these data demonstrate the importance of small businesses to the economy, there exists the potential for even greater small business contributions to economic growth and job creation. Broadband is a transformative technology that allows small businesses throughout the U.S. to access customers throughout the world. We need to ensure that they have affordable access to adequate speeds of broadband so they can take advantage of the expanded markets and opportunities to innovate. The best way to achieve this goal is by fostering a competitive regulatory environment that reduces price and expands service. Ultimately, with access to affordable broadband technology, small businesses in rural and low-income areas can not only improve their efficiency, but can also access advanced applications and services, all while introducing their products to new markets around the globe.

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[8] U.S. Small Administration, Office of Advocacy, Frequently Asked Questions (Sept 2009), available at http://web.sba.gov/faqs/faqindex.cfm?areaID=24.

[9] *Id*, see also CHI Research Inc., *Small Serial Innovators: the Small Firm Contribution to Technical Change*, study funded by the Office of Advocacy, SBA, under contract No. SBAHQ-01-C-0149 published Feb 27, 2003, http://www.sba.gov/advo/research/rs225tot.pdf.

**Small Business Broadband Providers**

Small businesses are not merely customers of advanced technology; many have made significant investments in our telecommunications infrastructure and have focused on serving rural and other underserved areas. We need small broadband providers across all platforms to continue to invest in building out their networks, to find ways to collaborate with local community partners, and to tailor their services to meet the specific needs of their communities.

A small group from my office visited the offices of *MetroCast*, a small independent cable operator in St Mary's County in rural Maryland. The group discussed the technological difficulties they were facing in connecting two service areas separated by inaccessible terrain, and showed us the communities they served. *Metrocast*, like most small telecommunications providers, is flexible in its offerings and very responsive to the needs and circumstances of the environment it operates in.

While the National Plan focuses on the provision of broadband to small business customers, it is critical that the Commission also recognize the unique barriers that exist for small broadband providers. Many of these small providers bring special value to the marketplace. First, they support Congress' goals set forth in the Telecommunications Act of 1996 by offering competitive services and pricing.[10,11] Second, they fulfill the National Plan's focus on expanding service to unserved and underserved areas. Finally, their presence in local

[10] In the wake of the 1996 Act and the FCC regulations that ensued, thousands of Internet Service Providers (ISPs) sprung up and started providing a slew of new generation services to the communities in which they operated. They were responding to the incentive structure put forth by the 1996 Act, which allowed the incumbents access to interlata services under the condition that they "unbundled" the local loop to allow for intralata competition. Unbundled Network Elements (UNEs) allowed ISPs to provide local competition. A significant portion stopped operating; about 7,000 ISPs went out of business as result of the decisions taken in FCC rulings. See Advocacy's letter, Appropriate Framework for Broadband Access to the Internet over Wireline Facilities (CC Dkt. No. 02-33), available at http://www.sba.gov/advo/laws/comments/fcc02_0827.pdf.
[11] Pub. L. No. 104-104, 110 Stat. 56, *codified at* 47 U.S.C. §§ 151.

communities has a value in and of itself, providing high tech jobs and strengthening local economies.[12]

The National Broadband Plan addresses several key issues of relevance to small business telecommunication providers' ability to participate and compete. These include special access and acquisition of spectrum.

Under the Telecommunications Act of 1996, the FCC is required to "promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies." Following the "Pricing Flexibility Order" in 1999, which instituted deregulated prices for dedicated access services in metropolitan statistical areas, and the amending of price-cap rules under the "CALLS decision," small carriers have continuously reported increased rates for special access. They have also suggested that the current price of special access specifically demonstrates a lack of competition in the market, because incumbents have been able to raise prices without losing customers. The combination of high prices and few alternatives creates a difficult burden for small carriers trying to conduct business in the telecommunications market.[13]

Advocacy is committed to working with the FCC to ensure that small entities have access to acquiring spectrum. To ensure this access, Advocacy urges the FCC to consider amending its designated entity (DE) rules, which allow smaller companies that qualify as DEs to compete in spectrum auctions with the use of "bidding credits." As Advocacy has noted in previous comment letters, the 2006 revision to these rules has encumbered small business participation in

[12] According to the U.S. Bureau of the Census, 98 percent of telecommunication providers are small (NAICS 517) and of all 4,914 internet service providers and web search portals (NAICS 5181), 4,834 are small businesses (98 percent). For the category comprising all Other Information Services (NAICS 51919), 97 percent are small businesses. This is based on data year 2006, the most recent data available.
[13] Comments of the Office of Advocacy, WC Docket No. 05-25 (filed Aug. 8, 2007)

FCC spectrum auctions. [14] While it seems uncertain what opportunities are left for DEs to meaningfully participate in future spectrum auctions, it is important that we revise these rules so that Congress's intent in creating Section 309(j) of the Communications Act is not diluted.

Advocacy hopes that the Commission will address these issues. Competition between broadband providers will help to spur the development of advanced technologies and services in the marketplace, while reducing prices.

Advocacy also urges the FCC to consider how its future rulemakings will impact small broadband providers. Our office has found that small businesses face a 60 percent higher burden of federal regulatory costs than do their larger counterparts.[15] As the National Broadband Plan is implemented, it is important that the Commission identify how small broadband providers will be affected by changes to FCC rules and policy, and examine what alternatives can achieve the same goals while mitigating any added regulatory burdens.

**Advocacy Broadband Study**

While a number of studies have examined broadband access and adoption rates among residential users, no research has focused on how small businesses are using broadband, or what their specific technological needs are.[16] In response to this lack of data, the Broadband Data Improvement Act of 2008 directed Advocacy to conduct a study to evaluate broadband

[14] Comments of the Office of Advocacy, WT Docket No. 06-150 (filed May 21, 2007).
[15] Crain, Mark, *The Impacts of Regulatory Costs on Small Firms*, study funded by the Office of Advocacy, U.S. Small Business Administration, contract No. SBAHQ-03-M-0522, released in September 2005 http://www.sba.gov/advo/research/rs264tot.pdf.
[16] The Office of Advocacy has funded two research projects based on a dataset gathered using the same survey instrument. In March 2004, the study, *A Survey of Small Businesses Telecommunications Use and Spending* was released, http://www.sba.gov/advo/research/rs236tot.pdf; and in December 2005, *Broadband Use by Rural Small Businesses* was released, http://www.sba.gov/advo/research/rs269tot.pdf.

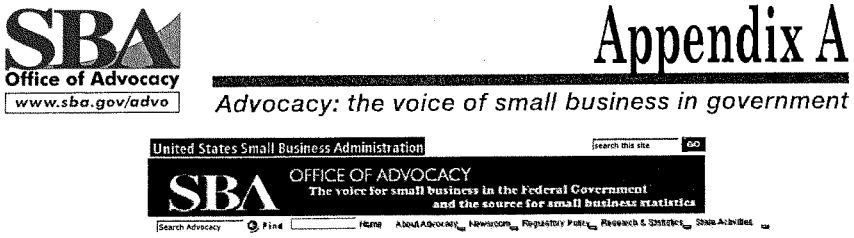
availability for small businesses.[17] Senators Landrieu, Snowe, and Kerry were all instrumental in supporting this legislation and spearheading this study. The law requested that Advocacy examine telecommunications service options available to small businesses with respect to price and speed, and to evaluate the economic impact of such availability. I am pleased to report that the study is under way.

The study, due this fall, will provide valuable information on the menu of broadband options currently available to small businesses, and provide Congress with a snapshot of the status quo, before BTOP and BIP. Advocacy intends the study to provide a baseline against which the success of the broadband grant and loan programs can be evaluated. Results of the study will geographically highlight small businesses that are in unserved and underserved areas, and quantify just how limited their service choices are and how this affects the price of broadband. These detailed data, by matching service availability with small business location, will further serve to verify and guide efforts to increase the ability of small service providers to enter the market and offer innovative and competitive new products to these regions. Advocacy looks forward to sharing the results of our study with the Committee.

The National Broadband Plan represents an unprecedented effort to provide universal broadband access in the United States. Small broadband providers will be essential in ensuring that universal access becomes a reality for all Americans. Meanwhile, small business broadband consumers will be among the most strategically placed beneficiaries of increased access and speed, and the lower prices that come with increased competition. In this respect, greater broadband access will serve as an input to the remarkable engine of job creation and economic growth that is American small business. SBA's Office of Advocacy stands ready to work with

[17] Public Law 110-385 Section 105 requested that Advocacy conduct a study to evaluate the options available to small business in terms of telecommunication services with respect to price and speed; and to evaluate the economic impact of such availability.

Congress, the FCC, the Department of Commerce, the Department of Agriculture, and others to ensure that the needs of small businesses are considered as we work to achieve the goal of universal broadband access. Thank you for allowing me to present these views, I would be happy to answer any questions.




# Appendix A

*Advocacy: the voice of small business in government*

United States Small Business Administration

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**For prior year communications, please see the Advocacy Archives**

Letter dated 03/05/10 - Federal Communications Commission [PDF] or [text File] - National Broadband Plan; GN Docket, No. 09-51 [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter.

Letter dated 04/13/09 - Federal Communications Commission [PDF File] or [text] - Recovery and Reinvestment Act of 2009 Broadband Initiatives. The FCC should consider the important role that small businesses play in creating a competitive, innovative telecommunications market that serves the public interest by providing more choice and lower prices; Fact Sheet Summarizing Advocacy's Letter

Letter dated 04/13/09 - Federal Communications Commission [PDF File] or [text] - Recovery and Reinvestment Act of 2009 Broadband Initiatives. Advocacy comments on the test for whether an applicant is a socially and economically disadvantaged small business of concern as defined under Section 8(a) of the Small Business Act; 74 Fed. Reg. 6879, (March 12, 2009); [PDF File] or [text] Fact Sheet Summarizing Advocacy's Letter

Letter dated 03/25/09 - Federal Communications Commission [PDF File], or [text] - Rural Broadband Strategy; GN Docket No. 09-29; [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Letter dated 08/21/08 - Federal Communications Commission [html], [text] or [PDF File] - OrbitCom Petition for Forbearance of Sections 61.26(b) and 61.26(c) of the Commission's Rules (WC Docket No. 08-162) Fact Sheet Summarizing Advocacy's Letter

Letter dated 07/25/08 - Federal Communications Commission [html], [text] or [PDF File] - Qwest Petitions for Forbearance Pursuant to 47 U.S.C. Section 160 (c) in the Denver, Minneapolis-St. Paul, Phoenix and Seattle Metropolitan Statistical Areas; (WC Docket No. 07-97).

Letter dated 05/19/08 - Federal Communications Commission [PDF File] or [text] - High-Cost Universal Service Support; Federal-State Joint Board on Universal Service ; 73 Fed. Reg. 11591, March 4, 2008; [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Letter dated 04/25/08 - Federal Communications Commission [html], [text] or [PDF File] - commending them for considering a proposal to grant regulatory relief to small cable providers. Fact Sheet Summarizing Advocacy's Letter

Letter dated 03/07/08 – Federal Communications Commission [PDF File], or [text] - Petition To Establish Procedural Requirements To Govern Proceedings for Forbearance Under Section 10 of the Communications Act of 1934, as Amended; 73 Fed. Reg. 6888 (February 6, 2008); [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Letter dated 03/03/08 – Federal Communications Commission [PDF File], or [text] - Carriage of Digital Television Broadcast Signals; 73 Fed. Reg. 6099 (February 1, 2008); [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Letter dated 11/07/07 – Federal Communications Commission [html], [text] or [PDF File] - response to industry concerns over the FCC's forbearance analysis; WC Docket No. 06-172, August 15, 2007. [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Letter dated 08/13/07 - Federal Communications Commission [PDF File] or [text] - Petition of the Verizon Telephone Companies for Forbearance under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect to Their Broadband Services; WC Docket No. 04-440, (July 30, 2007); [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Letter dated 08/08/07 - Federal Communications Commission [PDF File] or [text] - Parties Asked To Refresh Record in the Special Access Notice of Proposed Rulemaking; 72 Fed. Reg. 40814, (July 25, 2007); [PDF File] or [text]; Fact Sheet Summarizing Advocacy's Letter

Comment dated 5/21/07 - Federal Communications Commission [PDF File] or [text] - Request for comment on the 700 MHz auction rules; FCC 07-72; [PDF File] or [text] Fact Sheet Summarizing Advocacy's Letter.

**Letter dated 05/10/07 - Federal Communications Commission** [PDF File] or **[text]** - request for rulemaking on copper retirement; **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 03/26/07 - Federal Communications Commission** or **[text]** - video programming access rulemaking; **72 Fed. Reg. 9289 (March 1, 2007)** [PDF File] or **[text]**. **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 12/7/06 - Federal Communications Commission** [html], **[text]** or **[PDF File]** - Service and Auction Rules for 700 MHz Wireless Spectrum Band; **WT Dkt. No. 06-150**. [PDF File] or **[text]**.

**Comment dated 10/25/06 - Federal Communications Commission** [PDF File] or **[text]** - Comment in addressing the "Missoula Plan," a plan filed by the National Association of Regulatory Utility Commissioners in response to the Commission's proposed rule on Developing a Unified Intercarrier Compensation Regime; **CC Dkt. No. 01-92;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Comment dated 9/20/06 - Federal Communications Commission** [PDF File] or **[text]** - Comment regarding the implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission's Competitive Bidding Rules and Procedures; **WT Dkt. No. 05-211;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 09/18/06 - Federal Trade Commission** [PDF File] or **[text]** - Identity Theft Red Flags and Address Discrepancies Under the Fair and Accurate Credit Transaction Act of 2003; **71 Fed. Reg. 40785 (July 18, 2006)**. [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 08/21/06 - Federal Communications Commission** [html], **[text]** or **[PDF File]** - Children's Television Obligations of Digital Television Broadcasters; **CG Dkt. No. 00-167;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 08/08/06 - Federal Communications Commission** [PDF File] or **[text]** - Universal Service Contribution Methodology; **WC Dkt. No. 06-122;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 06/15/06 - Federal Communications Commission** [html], **[text]** or **[PDF File]** - Letter regarding the initial regulatory flexibility analysis for application of Universal Service contributions for Internet Telephony; **CC Dkt. No. 96-45** [PDF File]; **WC Dkt. No. 04-36;** [PDF File] **Fact Sheet Summarizing Advocacy's Letter**.

**Comment dated 3/14/06 - Federal Communications Commission** [html], **[text]** or **[PDF File]** - Summarizing Advocacy's recommendations made at a meeting with the FCC regarding the Junk Fax Prevention Act of 2005; **CG Dkt. No. 05-338;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Comment dated 1/18/06 - Federal Communications Commission** [PDF File], or **[text]** - Comment regarding the Junk Fax Prevention Act of 2005; **CG Dkt. No. 05-338;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 10/27/05 - Federal Communications Commission** [html], **[text]** or **[PDF File]** - Ex Parte letter regarding the FCC's Public Notice Seeking Comment Regarding Possible Revision or Elimination of Rules under the Regulatory Flexibility Act, 5 U.S.C. Section 610); **DA-05-1524;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Comment dated 8/16/05 - Federal Communications Commission** [PDF File] or **[text]** - Comment regarding the initial regulatory flexibility analysis for Telephone Number Portability; **CC Dkt. No. 95-116** [PDF File]. **Fact Sheet Summarizing Advocacy's Letter**.

**Comment dated 7/27/05 - Federal Communications Commission** [PDF File] or **[text]** - Comment regarding the regulatory flexibility analysis for Special Access Rates for Price Cap Local Exchange Carriers; **WC Dkt. No. 05-25** [PDF File]. **Fact Sheet Summarizing Advocacy's Letter**.

**Comment dated 5/23/05 - Federal Communications Commission** [PDf File] or **[text]** - Comment regarding the regulatory flexibility analysis for Developing a Unified Intercarrier Compensation Regime; **CC Dkt. No. 01-92** [PDF File]. **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 5/17/05 - Federal Communications Commission** [html], **[text]** or **[PDF File]** - Ex Parte Letter supporting the Extension of the Stay of the Order regarding Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); **CG Dkt. No. 02-278, FCC 03-153;** [PDF File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**.

**Reply Comment dated 3/8/05 - Federal Communications Commission** [PDf File] or **[text]** - Comment regarding the Verizon's Petition for Forbearance from Title II and the FCC's Computer Inquiry Rules; **WC Dkt. No. 04-440** [PDF File]. **Fact Sheet Summarizing Advocacy's Letter**.

**Letter dated 12/21/04 - Federal Communications Commission** [PDf File] or **[text]** - Ex Parte Letter regarding the regulatory flexibility analysis for Developing a Unified Intercarrier Compensation Regime; CC Dkt. No. 01-92. **Fact Sheet Summarizing Advocacy's Letter**.

**Reply Comments dated 12/15/04 - Federal Communications Commission** [PDf File] or **[text]** - Comment regarding the Initial Regulatory Flexibility Analysis for the Notice of Proposed Rulemaking in Communications Assistance for Law Enforcement Act and Broadband Access and Services; **ET Dkt. No. 04-295, FCC 04-187** [PDf File] or **[text]** **Fact Sheet Summarizing Advocacy's Letter**

Comments dated 11/17/04 - Federal Communications Commission [PDf File] or [text] - Comment regarding the Initial Regulatory Flexibility Analysis for the Notice of Proposed Rulemaking in Telephone Number Portability; CC Dkt. No. 95-116, FCC 04-217 [PDf File] or [text] Fact Sheet Summarizing Advocacy's Letter

Comments dated 10/4/04 - Federal Communications Commission [PDf File] or [text] - Comment regarding the Initial Regulatory Flexibility Analysis for the Notice of Proposed Rulemaking in Unbundled Access to Network Elements; WC Dkt. No. 04-313, FCC 04-179 [PDf File] or [text]. Fact Sheet Summarizing Advocacy's Letter.

Comments dated 09/21/04 - Federal Communications Commission - Reply Comment regarding the Initial Regulatory Flexibility Analysis for the Notice of Proposed Rulemaking in Federal-State Joint Board on Universal Service; CC Dkt. No. 96-45, FCC 04-127 [PDf File] or [text]. Fact Sheet Summarizing Advocacy's Letter.

Letter dated 9/7/04 - Federal Communications Commission [html], [text], or [PDF File] - Ex Parte Letter supporting the Extension of the Stay of the Order regarding Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDf File] or [text], Fact Sheet Summarizing Advocacy's Letter.

Letter dated 08/24/04 - Federal Communications Commission [html], [text], or [PDF File] - Ex Parte Presentation regarding the Initial Regulatory Flexibility Analysis for Local Telephone Competition and Broadband Reporting; Docket No. 04-141, FCC 04-81 [PDf File] or [text], Fact Sheet Summarizing Advocacy's Letter.

Notice of Withdrawal - 06/10/04 - United States Court of Appeals for the District of Columbia Circuit - Advocacy filed a Notice of Withdrawal of the Notice of Intent to File an Amicus Curiae Brief with the D.C. Circuit Court in a small business challenge to a Federal Communications Commission (FCC) order; Letter dated 6/18/04 - from FCC Chairman Michael Powell to Stan Wise, President, National Association of Regulatory Utility Commissioners (NARUC), Letter dated 5/06/04 - from FCC Chief K. Dane Snowden, Consumer & Governmental Affairs Bureau, to Stan Wise, President, NARUC. Press Release

Comment dated 05/28/04 - Federal Communications Commission - Review of Regulatory Requirements for IP-Enabled Services; WC Dkt. No. 04-36, FCC 04-28, 68 Fed. Reg. 16193 [PDF File] or [text] Fact Sheet Summarizing Advocacy's Letter

Comment dated 04/20/04 - Federal Trade Commission - Addressing the small business impacts of the Implementation of the CAN-SPAM Act; Project No. R411008, RIN 3084-AA96, 69 Fed. Reg. 11776 [PDF File] or [text], Fact Sheet Summarizing Advocacy's Letter

Comment dated 03/31/04 - Federal Trade Commission - Addressing the feasibility of a National Do-Not E-mail Registry under the CAN-SPAM Act; Project No. R411008, RIN 3084-AA96, 69 Fed. Reg. 11776 [PDF File] or [text], Fact Sheet Summarizing Advocacy's Letter.

Notice of Intent to File Amicus - 02/13/04 - United States Court of Appeals for the District of Columbia Circuit - Advocacy filed a notice of intent alerting the court of Advocacy's plans to file an amicus curiae ("friend of the court") brief in a small business challenge to a Federal Communications Commission (FCC) order. Fact Sheet Summarizing Advocacy's Notice..

Reply Comment dated 02/04/04 - Federal Communications Commission - Telephone Number Portability; CC Dkt. No. 95-116, FCC 03-284 68 Fed. Reg. 68831 [PDF File] or [text], Fact Sheet Summarizing Advocacy's Letter.

Letter dated 11/21/03 - Federal Communications Commission - [html], [text] or [PDF File] - Ex Parte Letter summarizing the participants' discussion at Advocacy's Roundtable regarding the Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDF File] or [text]. Fact Sheet Summarizing Advocacy's Letter

Notice dated 11/18/03 - Federal Communications Commission - [html], [text] or [PDF File] - Ex Parte Notice of Advocacy's Roundtable regarding the Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDF File] or [text].

Reply to Opposition to the Petition for Reconsideration dated 10/30/03 - Federal Communications Commission [html], [text] or [PDF File] - Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDF File] or [text]. Fact Sheet Summarizing Advocacy's Letter.

Notice dated 10/10/03 - Federal Communications Commission [html], [text], or [PDF File] - Ex Parte Presentation regarding the Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDF File] or [text].

Petition for Reconsideration dated 08/25/03 - Federal Communications Commission [html], [text] or [PDF File] - Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDF File] or [text] Fact Sheet Summarizing Advocacy's Petition

Letter dated 08/14/03 - Federal Communications Commission [html], [text] or [PDF File] - Rules and Regulations implementing the Telephone Consumer Protection Act (TCPA) of 1991 (also known as the "Do-Not-Call" and the "Do-Not-Fax" rule); CG Dkt. No. 02-278, FCC 03-153 [PDF File] or [text].. Fact

Sheet Summarizing Advocacy's Letter.

Letter dated 05/14/03 - Federal Communications Commission [html], [text], or [PDF File] - Basic and Enhanced 911 Provision by Currently Exempt Wireless and Wireline Services; CC Dkt. No. 94-102, FCC 02-326 [PDf File] or [text].

Letter dated 04/09/03 - Federal Communications Commission [html], [text], or [PDF File] - Broadcast Ownership Rules; MM Dkt. No. 02-277, FCC 02-249 [PDF File] or [text].. Fact Sheet Summarizing Advocacy's Letter [PDF File].

Comment dated 02/28/03 - Federal Communications Commission [html], [text], or [PDF File] - Federal-State Joint board on Universal Service, et alia, CC Dkt. No. 96-45, FCC 02-329 [PDF File] or [text].

Letter dated 02/05/03 - Federal Communications Commission [html], [text], or [PDF File]- Initial Regulatory Flexibility Analysis for the Triennial Review of Unbundling Obligations of Incumbent Local Exchange Carriers, CC Dkt. No. 01-338, FCC 01-361 [PDf File] or [text].. Fact Sheet Summarizing Advocacy's Letter [PDF File].

Letter dated 08/27/02 - Federal Communications Commission [html], [text], or [PDF File] - Regarding Appropriate Framework for Broadband Access to the Internet over Wireline Facilities; CC Dkt. No. 02-33, FCC 02-42 [PDF File] or [text], Fact Sheet Summarizing Advocacy's Letter [PDF File]..

Comments dated 06/28/02 - Federal Trade Commission [html], [text], or [PDF File] - Telemarketing Sales Rule User Fees ; 67 Fed. Reg., p. 37362 (May 29, 2002) [PDF File] or [text].

Reply Comments dated 05/7/02 - Federal Communications Commission [html], [text] or [PDF File] - Regarding Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets and Definition of Radio Markets; MM Docket No. 01-317, MM Docket No. 00-244, FCC 01-329 [text] or [PDF File].

Reply Comments dated 03/19/02 - Federal Communications Commission [html], [text]or [PDF File] - Concerning Nationwide Licensing Areas in Government Transfer Bands; WT Dkt. No. 02-08, FCC 02-15 [text] or [PDF File]..

Comments dated 03/13/02 - Federal Communications Commission [html], [text] or [PDF File] - Rules and Policies Concerning Multiple Ownership of Radio Broadcast Stations in Local Markets; MM Dkt. No. 01-317, MM Dkt. No. 00-244, FCC 01-329 [text] or [PDF File].

Letter dated 03/8/02 - Rural Utilities Service [PDF File] - Telecommunications System Construction and Specifications, 66 Fed. Reg. 43,309, and RUS Standard for Service Installations at Customer Access Locations, 66 Fed. Reg. 43,314..

Letter dated 02/5/02 - National Telecommunications and Information Administration [html], [text], or [PDF File] - Regarding Privatization of the Management of the .US Internet top level domain..

Letter dated 11/21/01 - Farm Credit Administration [html], [text] or [PDF File] - Electronic Commerce Proposed Rule; Fed. Reg., Vol. 66, No. 204, p. 53348 (October 21, 2001) [PDF File] or [text].

Reply Comments dated 11/6/01 - Federal Communications Commission - Developing a Unified Intercarrier Compensation Regime; CC Dkt. No. 01-92, [PDF File] or [text].

Reply Comments dated 07/9/01 - Federal Communications Commission [html], [text], or [PDF File] - Regarding Streamlining Contributions to the Universal Service Fund; CC Dkt. No. 96-45, et al., [PDF File].

Correspondence dated 6/29/01 - National Institute of Standards and Technology [html], [text] or [PDF File] - Advocacy's questions regarding small business issues contained in the Request for Quotation to administer the Dot US.

Comments dated 6/14/01 - World Intellectual Property Organization [html], [text] or [PDF File] - Advocacy's written testimony to the World Intellectual Property Organization in its second Internet domain name process.

Letter dated 05/3/01 - Federal Communications Commission [html], [text], or [PDF File] - Regarding Unauthorized Changes of Consumers' Long Distance Carriers; CC Dkt. No. 94-129 [PDF File] or [text].

Letter dated 04/19/01 - Federal Communications Commission [html], [text], or [PDF File] - Regarding Enhanced 911 Emergency Calling Systems; CC Dkt. No. 94-102 [PDF File] or [text].

Comments dated 4/13/01 - Federal Communications Commission [html], [text] or [PDF File] - Regarding review of Commercial Mobile Radio Service(CMRS) spectrum cap and cross-owner policies

Letter dated 03/30/01 - Federal Communications Commission [html], [text], or [PDF File] - Number Resource Optimization; CC Dkt. No. 99-200, 96-98.

Letter dated 02/06/01 - Federal Communications Commission [html], [text], or [PDF File] - Regarding Children's Television; Obligations of Digital Television Broadcasters;MM Dkt. No. 00-167[PDF File].

Letter dated 01/09/01 - Federal Communications Commission [html], [text], or [PDF File] - Regarding Children's Television; Obligations of Digital Television Broadcasters; MM Dkt. No. 00-167.

**Comments dated 01/05/01 - Federal Communications Commission** [html,**[text]** or **[PDF File]** - Automatic and Manual Roaming Obligations pertaining to Commercial Mobile Radio Services.

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Chair LANDRIEU. Thank you very much, and it is good to know that not only do we have the Small Business Administration advocating on behalf of small business, but the actual Office of Advocacy that can give a more independent view as well. I know the small businesses in our country appreciate that.

Ms. WALTHALL. Thank you.

Chair LANDRIEU. Mr. Greene.

**STATEMENT OF SEAN GREENE, ASSOCIATE ADMINISTRATOR FOR INVESTMENT, U.S. SMALL BUSINESS ADMINISTRATION**

Mr. GREENE. Thank you, Chair Landrieu, Ranking Member Snowe, for inviting me here to this important hearing. I am honored to be here.

Broadband technology brings extraordinary opportunities to America's small businesses, regardless of industry size or geographical location. There are two critical factors to consider when it comes to broadband and small business: first, small businesses would benefit from broadband being accessible and affordable; and, secondly, better tools and training targeted to small businesses would help maximize broadband's potential.

The immediate challenge is relatively simple. Access to affordable broadband service is not yet available to all small business owners, especially those located in unserved and underserved parts of the country. Let me give you some concrete examples of how small businesses are taking advantage of the Internet as a sales and marketing platform.

Take Becky Collins, or Granny B, an Internet entrepreneur selling her homemade children's clothing from Homer, Louisiana. After her friends and family taught her how to use eBay, she made the leap into creating her own business and her own website and is now generating orders from Japan, Canada, England, and Italy.

Or Northern Outdoors, an adventure tour operator running whitewater rafting trips on the Kennebec and Penobscot rivers in Maine. Northern Outdoors recognized a long time ago how to use the potential of the Internet to bring new customers to their business. Now they market their trips through a customized website. They do search engine optimization and keyword buying on Google. They integrate with Twitter and Facebook to reach new customers and actually take bookings online as well.

Then, finally, Open Table provides one more example of the importance of broadband for small businesses, in this case serving as a platform for an innovative high-growth business to use the Internet to serve other small businesses as customers. Open Table allows consumers to book restaurant reservations in real time via the Internet. In turn, using a broadband connection, restaurants use Open Table software as their reservation management system, getting updates on reservations real time far more efficiently than answering lots of phone calls and booking everything on paper. The company, initially funded by a small business investment company, went public last year and now employs over 300 people.

But despite such success stories, more work still needs to be done. For instance, once a small business gets access to affordable broadband, the challenge lies in adopting the technology and leveraging it to its fullest potential.

Which leads me to the second key area: Small businesses need better tools and training to maximize broadband's potential. This is where SBA and its partners can play a key role. That is why the SBA and its resource partners are focusing on increasing digital literacy. We want to broaden the knowledge base of small businesses to take advantage of such areas as e-commerce, online markets, social media, on-demand software, and much more.

I will give one recent example. Via our partnership with SCORE, we have a cadre of 12,000 volunteers who are executives that actively counsel and mentor entrepreneurs and small businesses owners. Earlier this month, SCORE announced the partnership with technology companies that will develop training materials to inform, educate, and support small businesses interested in using broadband. The SCORE leadership team is working to develop these "train the trainers" materials, and they have already brought on board another one of SBA's key resource partners, our 110 Women's Business Centers.

SBA will continue worked with all of our resource partners on similar efforts, including the possibility of delivering additional training through our network of Small Business Development Centers.

As today's hearing clearly shows, broadband access, adoption, and utilization can play a critical role in supporting the strongest engine of our economy—small businesses. SBA and our partners can help small business owners gain the knowledge and skills they need to harness the strength of this powerful new technology. If we can accomplish that, we know that small businesses will grow and create even more good American jobs that will lead us toward economic recovery.

Thank you for your leadership in this crucial area and for holding this important hearing today. I am happy to take any of your questions.

[The prepared statement of Mr. Greene follows:]

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

**Testimony of Sean J. Greene**
**Associate Administrator for Investment**
**U.S. Small Business Administration**

**Before the**
**U.S. Senate Committee on Small Business & Entrepreneurship**
**"Leveraging Broadband to Help America's Small Businesses Grow"**

**April 27, 2010**

Thank you, Chair Landrieu, Ranking Member Snowe and members of the Committee for inviting me to this important hearing. I'm honored to be here.

Broadband technology brings extraordinary opportunities to America's small businesses – regardless of industry, size, or geographic location. There are two critical facts to consider when it comes to broadband and small business.

1. Small businesses would benefit from broadband being accessible and affordable.
2. Better tools and training targeted for small businesses would help maximize broadband's potential.

The immediate challenge is relatively simple: Access to affordable broadband service is not yet available to all small business owners — especially those located in unserved and underserved parts of our country.

Julius Genachowski, talked earlier about the FCC's efforts to construct and implement the National Broadband Plan. The other witnesses from the first panel touched upon the Administration's continuing efforts to ensure that America's broadband infrastructure undergoes the improvements necessary to make it a model for the rest of the world.

Already, the Recovery Act has played an important role in moving us toward that goal. For example, USDA has rolled out a first round of broadband projects in rural areas totaling over $1 billion. Not only will it bring broadband to half-a-million homes, but also nearly 100,000 rural businesses in 31 states and 17 reservations.

We need to continue expanding access and driving down costs, including addressing the fact that small businesses pay over twice as much per employee than large firms for broadband due to magnitudes of scale.

Once they get access to affordable broadband, the challenge lies in adopting the technology and leveraging it to the fullest extent possible, which leads me to the second key area: Small businesses need better tools and training to maximize broadband's potential. This is where the SBA and its partners can play a role.

Consider that about three-fourths of small businesses already have a website, but only about one-fourth are using broadband for e-commerce. That's a big gap when you consider that 60 million Americans go online every day to buy something.

Our resource partners know that small businesses can't just expect to create a work email address or put up a website in order to increase sales. It takes a solid business plan with a comprehensive broadband strategy.

They need to understand how unique broadband innovations not only improve areas like marketing, but also that broadband has a direct impact on other areas such as productivity and operations – from Voice Over IP cell phones that allow them to seamlessly conduct business abroad to online software that allows transparent tracking of deliverables both for their workers and their customers.

That's just one reason why the SBA's resource partners are focusing on increasing digital literacy. We want to broaden the knowledge base of small business owners to include areas such as e-commerce, cloud computing, social media, and much more.

I'll give one recent example. We have a cadre of about 12,000 volunteers who are executives that actively counsel and mentor entrepreneurs and small business owners – SCORE. Earlier this month, SCORE announced a partnership with technology companies that will develop training materials to inform, educate and support small businesses interested in broadband. The SCORE leadership team is working to develop these train-the-trainer materials, and they've already brought on board another one of SBA's resource partners – our 110 Women's Business Centers.

SBA will continue working with all of our resource partners on similar efforts, including the possibility of delivering the products of these partnerships through the Small Business Training Network, using our agency's own broadband capacity.

Overall, small business owners are realizing that a strong broadband infrastructure is not just a good option, but a necessary investment. Partnerships like this can equip them for the future by giving them the right tools, the right information, and, most importantly, the right people to talk to.

As today's hearing clearly shows, broadband access, adoption and utilization can play a critical role in supporting the strongest engine of our economy – small business. SBA and our partners can help small business owners gain the knowledge and skills they need to harness the strength of this powerful new technology. If we can accomplish that, we know that small

businesses will grow and create even more good American jobs that will lead us toward economic recovery.

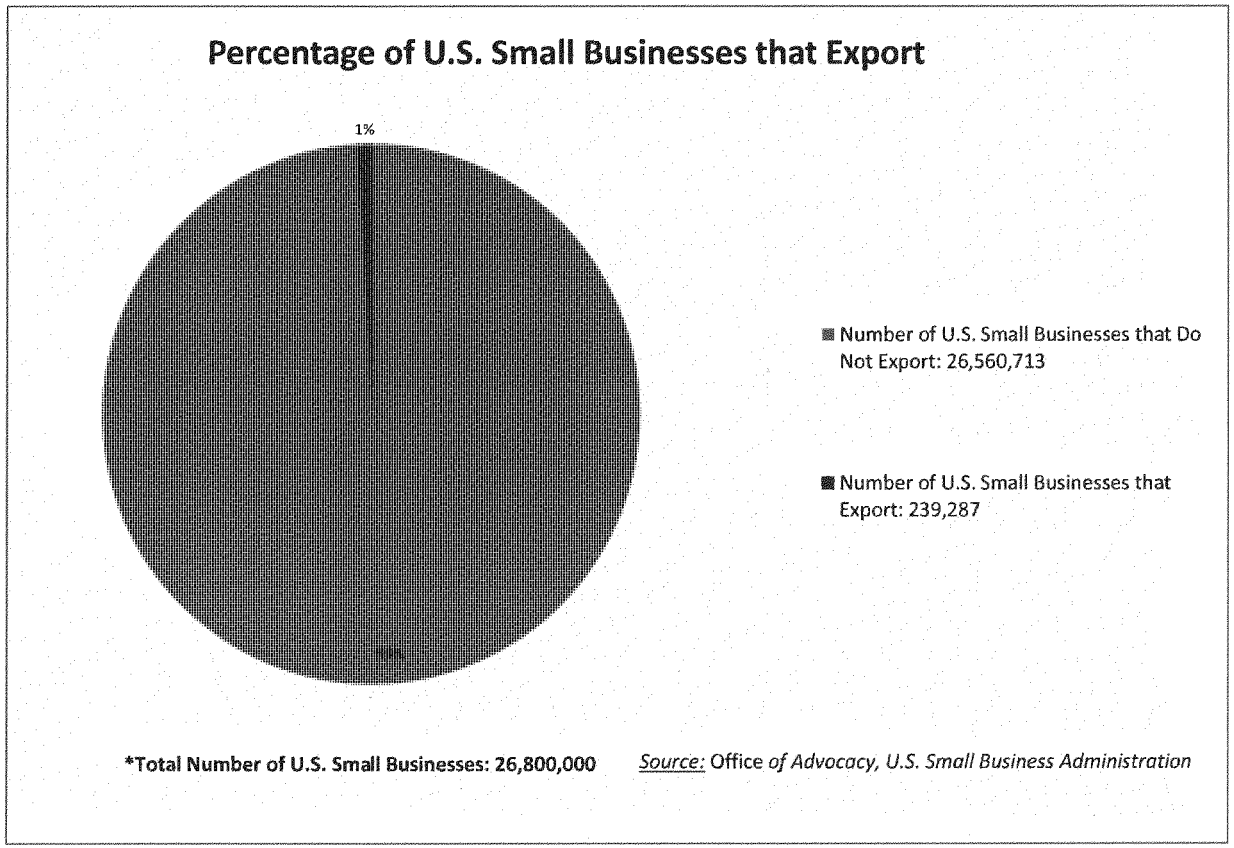
Thank you for your leadership in this crucial area and for holding this important hearing today. I'm now happy to take your questions.

####

Chair LANDRIEU. Thank you very much, Mr. Greene, and we do have a series of questions that we will ask you now. I want to say this will probably go for another 15 or 20 minutes, and then we will start with the second panel to give them notice. I have quite a few questions, and I know that Senator Snowe does as well.

I would like to call your attention, all of you, to one of my favorite charts.

[The information follows:]


Percentage of U.S. Small Businesses that Export
1%
99%
Number of U.S. Small Businesses that Do Not Export: 26,560,713
Number of U.S. Small Businesses that Export: 239,287
*Total Number of U.S. Small Businesses: 26,800,000
Source: Office of Advocacy, U.S. Small Business Administration

We use it often in this Committee because we like to put a picture with the statement when we talk about opportunities for growth for small businesses. Mr. Greene, you hit on this, and thank you for highlighting a small company in Homer, Louisiana, that is now, because of access to high-speed Internet, able to sell products not just in the surrounding northwestern part of Louisiana, Arkansas, or Texas, which would be in previous times, 20 years ago, her only market possibilities. Today she can sell those products in China and in other places that you mentioned.

This is how few small businesses in America export: 1 percent, Mr. Chairman, of our businesses in America, small businesses, are exporting, when the bulk of the market of the world lies outside of the territory of the United States of America. To export, not only do they need ships and trains and trucks and ports, they need communication and they need fast communication to do that. That is in large measure what this hearing is about, not just exports, but it is interesting to think about when you look to see this jobless recovery where the jobs may come from. Here is a big space, and I want you all to address that. Large businesses are exporting 42 percent. They, of course, have opportunities as well. But this is going to be the lifeblood for firms in Maine and firms in Louisiana. But, again, they just do not need the highway going to their business. They need the super fast highway of the interstate—I mean of the—not just the interstate, but of high-speed broadband.

So let me ask you again, Mr. Chairman, if you could—and I have read a summary of your broadband report which was issued, I think the first one in our nation's history, most comprehensive one, 2 months ago. Again, could you hit the highlights of how this plan is really going to open up opportunities for small business, not just to export to other places in the world, but to give them the capacity to grow the jobs we desperately and urgently need in this country today?

Mr. GENACHOWSKI. Well, first I would say this is a perfect visualization of one of the huge opportunities if we get broadband policy and strategy right in the country, and you look at it, it is not just an opportunity, it is a necessity.

The strategies that we recommend pursuing flow from the challenges that we see with small businesses. One, many small businesses live in areas where they just do not have access to broadband at all. There are deployment issues. Second, there are digital literacy issues where they do not understand the full benefits of what can be accomplished on broadband. And, third, affordability issues.

There are a number of steps that we are taking. Some are broad steps that will disproportionately benefit small businesses. Some are small business targeted steps. So transforming our Universal Service Fund to make sure that wired and wireless broadband communications is extended everywhere. So a small business that is in a small town getting by has the opportunity to connect to high-speed broadband and whether it is a meat company or a clothing company, sell its products to the next town, the next State, to the next country. Making sure that mobile broadband is truly available everywhere in the country, we have challenges as a country to achieve that. Tackling the training and tools issue, and this is

where I think interagency coordination will become particularly important. The resources at the SBA are something that we focused on in the plan, and together with SBA kicked off a program to mentor and train small businesses.

Finally, we have to tackle competition issues that many small businesses, and the panel as well, are keeping prices too high and choices too few for small businesses in broadband.

Chair LANDRIEU. Okay. I am going to ask each of you, starting with you, Mr. Strickling, to say what comes to your mind as the number one strength or one of the important strengths of the plan, and also what you see potentially as a weakness relative to small business being helped by the Broadband Plan. Just off the top of your head, what do you think one of the strengths of the National Plan is in that regard, and what are either the shortfalls or weaknesses?

Mr. STRICKLING. Right. Well, I think the Chairman gave a very thorough listing of the opportunities and the recommendations in the plan. In terms of reaching small business, I think first and foremost probably the most important single issue is the reform of the Universal Service Program because that, I think, will provide a lasting mechanism to ensure that these facilities get built out to all reaches of the country.

The Recovery Act provided us nearly $5 billion to get started on this effort, and the RUS has received an additional $2.5 billion to do it. But to succeed long term, to make this happen everywhere in the country, we are going to need universal service reform. So I would say that is probably the top one in terms of having an impact on small business.

I have no shortfalls to identify from the plan. I think it is a very thorough and complete effort on the part of the FCC, and they should be very proud of the work they have done.

Chair LANDRIEU. Thank you.

Mr. Adelstein.

Mr. ADELSTEIN. I also think it is an outstanding plan. A lot of efforts went into it. What is really important is that it really sets a high goal, 100 megabits per second for 100 million homes, for example, that our rural areas, our small businesses are going to need that kind of bandwidth. Other countries, like Korea, have that already to almost every household, and this country finally under this administration has taken the leadership in saying we are going to do that, too, we are not going to let other countries around the world, make sure that their rural populations, that their people have access to very high bandwidth and ours do not. So they really said that.

I think the big challenge is—this is not a weakness, but there are a lot of issues in front of the Commission in dealing with competition policy and universal service policy and fleshing that out I think is something that this Commission under this able leadership is very able to do. There is a great deal of work yet ahead. We have set a brilliant blueprint, and now it is where the rubber meets the road as how do you translate that into new policy.

Chair LANDRIEU. Ms. Walthall.

Ms. WALTHALL. Chair, it is usually our small business providers that provide this access in the rural areas, and so we have got to

ensure that there is really a level playing field for the small business providers.

Chair LANDRIEU. Mr. Greene.

Mr. GREENE. From SBA's perspective, I think a critical component of the plan that the FCC got right is that, in addition to getting the access, the importance of the training and the digital literacy to reach out to the small businesses to train them in how to take advantage. The FCC's focus on that I think was critical, and from our perspective our ability to leverage our footprint via all our resource partners to help train the small businesses is spot on.

Beyond that, the administration as a whole, and SBA as well, is looking to say how do we use the report as a starting point to develop more broadly a perspective on additional ways that we can also serve our respective missions within the context of the Broadband Plan.

Chair LANDRIEU. Okay. I am going to recognize Senator Snowe, and then we will come back for a second round of questioning, because I think it is important. There are a few more that I want to ask. But, you know, as Senator Snowe and I reviewed the budget for the SBA as proposed by the administration, we are both recommending—while we are proud that the administration has supported a more robust budget than in years past, and this agency was weakened considerably because of past budgets, we both are recommending somewhere between $50 million and $100 million in addition. But it reminds me when I think about—when you say the footprint, think about a pair of shoes without shoelaces. You cannot run very fast in them.

And so when I think about the footprint of the SBA, I hope we are spending a little bit of money purchasing those laces necessary to get that footprint really moving when it comes to broadband. And, yes, we have small business centers out there, we have minority business centers, we have SCORE chapters. We have the banks themselves, 5,000 banks that give technical assistance. You know, there are about 1,200 lenders but 5,000 community banks in this country, not to mention credit unions, et cetera. That is where small businesses go to get capital. We need to think about that footprint and getting access to high-speed Internet and technology, closing that digital divide.

Senator Snowe.

Senator SNOWE. Thank you, Madam Chair, and I thank all of you for being here today. I think it is critical to have the collaboration that is represented here today among all the agencies, and I think, along with the FCC spearheading the whole effort to create a national plan for broadband deployment, without a doubt this is the way it is going to come about, through all of the agencies and departments working in tandem and in concert to get this done, because it is going to be multidimensional.

It is great to see you here, Administrator Adelstein, for your long-time work at the FCC for many years on the E Rate. You mentioned Secretary Vilsack. I had the opportunity to speak with him yesterday, and I certainly can attest to his advocacy and his passion for rebuilding rural America. One essential way of doing that is through broadband deployment, he was mentioning to me, and I think that is absolutely right. And we have to be concerned

about what is happening in our rural economies all across this country. And, clearly, they need the infrastructure that broadband is going to provide for sustaining those economies and making the transition that I know many of my small towns in Maine are making and the loss of thousands of manufacturing jobs over the last few years. So I commend all of you for working this way in unison, because that is what it will require.

Chairman Genachowski, thank you for your plan and for, I think, recognizing how it is going to have to work with other agencies and in tandem with SBA. Is it going to be enough in terms of what the SBA resources have, for example? I know you talked about partnering with SCORE, which is great, but I mentioned Women's Business Center as another example, and the Small Business Development Centers. I think we really do have to use all the resources of SBA to make this possible for small businesses.

And I know that Administrator Mills was testifying before this Committee last week and said that they had the extensive bone structure within the SBA, but I am not so sure it is all being utilized in terms of your recommendation in Chapter 13 of your plan.

Mr. GENACHOWSKI. Well, I can tell you from my experience firsthand, the leadership of the SBA is very focused on this, and they really have a two-part challenge. This goes a little bit to the shoelace issue. One is taking advantage of the opportunity to leverage existing resources that are all over the country to help small businesses, but there is an earlier challenge which I know that the SBA has taken quite seriously, which is training the trainers in the new tools and the new technologies. I would not comment on the level of resources other than to say that that alone is a very significant challenge, and without the resources to tackle that, it will not be possible to leverage the resources that are on the ground that have relationships with small businesses across the country.

So it is an important challenge. I know they are taking it very seriously.

Senator SNOWE. Mr. Greene, why aren't all the resources, all the agencies being used in this regard?

Mr. GREENE. The plan as discussed is to use all of the resource partners. We kicked off the initial event with SCORE, who was very excited and moving very quickly, but our fundamental commitment is let us take advantage of all of our resource partners, including the Women's Business Centers, who just signed up for a comparable program in the SBDCs as well.

On the resource issue, we do agree that there is an important opportunity to train the trainers. Additional resources will be required to do this in a fully effective way. In their Broadband Plan, the FCC made a specific recommendation on the budget to do that. We are reviewing that, and we do not have a perspective on whether that is the right number yet or not, but we do think a commitment to this area will require additional resources to our resource partners.

Senator SNOWE. Well, I think it would be important to know exactly what it will require from SBA so that we do not learn a year from now or 2 years from now. I say that because there is so much potential opportunity, and I still think that small business is being underutilized in this economic recovery. That is an understate-

ment, frankly, in terms of what is not happening that should be happening to leverage small business.

I see this in this regard when it comes to broadband deployment and technological innovation. There is a widening gap. They mentioned this in a release back in January, and it is astonishing. The U.S. trade gap is widening in advanced technologies. In one of the papers that was released, it is more than $55 billion calculated over a year period. It is widening in terms of how much we are importing versus what we are exporting in terms of advanced technology. And the incubation for that development of technology is going to occur with small businesses, so we are not doing enough R&D, we are not nurturing them.

So what can we do in that regard? Is anybody able to answer that question?

Mr. GENACHOWSKI. Well, I would say, Senator, this is one of the driving reasons for objectives of the plan to make sure that the U.S. is the world leader in innovation in the 21st century so that both small and large businesses are creating the technologies here, marketing them, distributing them, and that that continue. A world-class broadband infrastructure available everywhere is necessary for that, and it is a serious subject of concern and a driver of the Broadband Plan.

Senator SNOWE. So what can we do about that? I mean, that is a huge gap and a missed opportunity.

Mr. GENACHOWSKI. I think there are many things to do, but transforming USF so that it supports broadband everywhere at high speeds; second, unleashing spectrum so that we lead the world in mobile. Mobile broadband will be a huge platform for economic growth in the 21st century for innovation here, technological innovation that we can then export, and a second major objective that we need to pursue.

Senator SNOWE. I would be interested in having a timeline about when this should all be happening, which is in conjunction also with the grants that are issued by both of your departments, Administrator Adelstein and Administrator Strickling. Why can't we have a timetable for all this in terms of broadband penetration, not only for broadband but obviously for many businesses that are indicating they may not even try to get high-speed Internet, for example, because they use it primarily for basic applications.

Could we have some sort of timetable that we envision this will happen throughout this country in terms of providing this deployment across the country?

Mr. GENACHOWSKI. Yes. We have set in the plan 5- and 10-year goals for the country, and one of our next steps is to fill out all the milestones along the way, so we look forward to working with you.

Senator SNOWE. Is that with respect to spectrum allocation or is that with everything?

Mr. GENACHOWSKI. Yes, and, in fact, in the action plan that we released a couple of weeks ago, we outlined exactly the steps that we will take in the next 12 months to move all of these forward. So we would be happy to follow up with you on that.

Senator SNOWE. Thank you.

Chair LANDRIEU. Thank you, Senator Snowe.

I want to recognize Senator Cantwell, who has joined us, in a minute and has been a great leader on this issue. But before I recognize her, I just want to submit to the record prices broadband per month to some of our competitors around the world. Sweden is about $10.80; Denmark is about $11 a month; the U.S. is $15. We are in the ball park, still high, and we are fourth in the world. But this is what is worrisome. The penetration of households—I do not have penetration of businesses, but we are going to get that hopefully and submit it for the record as well. The U.S. ranks not first, not 10th, but 20th. We only have 60-percent penetration in households. South Korea, which ranks first, has 95 percent.

But this is really startling. In speed, megabytes per seconds, Japan is 94 megabytes per second, number one. The U.S. is 14th, but at only 9 megabytes per second. So we have a tremendous challenge before this country, and I know there are jurisdictional issues and controversial issues. We see these hearings playing out in the Commerce Committee over the last several years. But this Committee is going to stay focused like a laser on small businesses in America and their access to affordable, high-speed connections, which is not just their safety net but our Nation's safety net and line out of this recession.

Senator Cantwell.

Senator CANTWELL. Thank you, Madam Chair, and thank you for holding this important hearing, and the impact on small businesses, and to Senator Snowe for her attendance because it really is an important issue for small business and for rural communities. And we have many parts of the State of Washington that have invested in broadband delivery as an economic strategy. We have beautiful places to live, and now that people can live there and get great access, they can operate many different kinds of businesses. So it has been a very successful strategy.

I wanted to ask Chairman Genachowski if—you know, the FCC recently eliminated the home roaming exclusion from mobile voice and is looking at whether to extend that obligation to data services such as the mobile broadband and Internet services. So with the coming of 4G services, you know, the intensity of data usage by small business is really going to be a big issue. I mean, they have to have continuity. It is essential that the networks relied on by small business have that ever present seamless coverage or else, you know, there will not be able to locate into these areas.

So how will this impact the small businesses, the recent decision?

Mr. GENACHOWSKI. Well, there were two parts to the decision. I completely agree with your premise that consumers, whether individual consumers or small businesses, expect to have seamless connectivity around the country, whether it is voice or data. As you said, we removed that particular exemption in connection with voice. At the same time, we launched the proceeding to determine rules on broadband data roaming with the goals of making sure that American consumers and small businesses can have seamless connectivity and at the same time incentivizing the maximum possible investment in the networks and the fastest possible deployment.

So that proceeding is under way, and we are taking public comment.

Senator CANTWELL. How do you think some of the revenue that was part of the American Recovery Act will teach us about some of these deployments in rural communities? Do you think that is going to give us good data and information about the demands and needs?

Mr. GENACHOWSKI. I think it should give us very helpful information. To the Chair's point, it is one of the reasons—and Senator Snowe's point—for ongoing collaboration, information sharing. The nature of this technology and the nature of our plan is such that the technology and the plan will always have to change to accommodate what we learn, how technology changes. We approach it in that spirit, and we will continue to have very strong collaboration to look at what is working, what is not.

I would say one other thing. In the plan, there are a number of areas where we suggest pilot projects. We reached a level of certainty that it makes sense to invest and experiment, but we do not know enough yet to commit to a large program. An example is rural health care for—sorry, telehealth for rural clinics and hospitals around the country. We have a small program at the FCC. We are going to expand it smartly with a series of pilot projects around the country. We are going to learn from it. Our hope is that it will work, and we will be able to come and say we need to invest more in this program to make sure that rural doctors and clinics and hospitals are connected so that we can get the full benefits everywhere of electronic health care records, the cost-savings benefits and the improved health care benefits.

Senator CANTWELL. I definitely appreciate that. You know, we have—because we have Inland Northwest already doing this telemedicine—unbelievable results because of the large geographic area that people have to serve and the lack of physicians or pharmacists or what have you to serve them, have done, you know, an amazing jobs, and we have seen how these infrastructure investments—again, because we have been able to play off of the Bonneville Power Administration's redundancy and backbone into solving some of these issues.

I think the results are there, and so I hope that we are able to take those results, Madam Chair, because, you know—I do not know—I have been here 10 years now, and it seems that we are always running up against basic business models that do not just—that just do not quite get us there. And yet we know for sure the economic return on this investment is huge.

I appreciate the Chair having this hearing, and I hope that we can continue to push ideas that will allow for this deployment to take place in a much more rapid fashion. So I thank Chair.

Chair LANDRIEU. Thank you, Senator Cantwell.

Senator Shaheen you are next, and then we are going to move to the second panel. Thank you all very much.

Senator SHAHEEN. Thank you, Madam Chair, and I will be very brief. And if you have already responded to this question, I apologize, but one of the things that we have heard from some folks in New Hampshire about the funds that were in the Recovery Act that are going out now across the country in grants is that there has been duplication from the RUS and NTIA for some of those grant awards and that they have funded projects that are com-

peting with providers who are already on the ground. Does anybody want to comment on—I suppose that would be you, Mr. Strickling.

Mr. STRICKLING. I think that we have heard the criticism at Commerce, and I think Administrator Adelstein probably has heard it at RUS.

Speaking for our program, I think that those are not serious objections. Our projects are designed to reach unserved and underserved parts of the country. We focus on where we can bring the most benefits. An underserved area by definition is an area that has a certain amount of service, but we look to see how widespread the service is, what the speeds are of the service. Many places that may see fairly slow consumer speeds may not be providing the high-speed Internet that the anchor institutions like the schools and the hospitals and the Government facilities need. So we are focused on projects that will bring additional benefits to a given area based on what is there today.

The idea of funding competitors, though, that is not the business we are in. The facilities that we are funding at the Department of Commerce are facilities that are open network facilities. They are available to anyone. We also have focused on what we call comprehensive community projects where we are really trying to bring what we call the middle mile, the high-speed pipe that may serve a community or a series of communities. Our projects do not deliver too many services directly to homes and businesses. We are leaving that to private industry to do.

But what happens is when we put that high-speed facility into a community, because of the open network nature of our projects, it is available to everybody, including the incumbent. So we are reducing costs potentially not just for the person who receives our grant money, but also for anybody who would already provide service in an area or who might wish to provide service in an area because there are these interconnection and non-discrimination obligations that make that Government-funded pipe available to all providers. And in that sense, we think that we are bringing a benefit certainly to the community, but also to every provider who might serve that community, whether it be an existing incumbent or a new entrant.

Senator SHAHEEN. Mr. Adelstein, do you want to respond also? And maybe you could also in your response—and, I do not know, Mr. Strickling, if you want to add to this. But as we are thinking about doing this in the future, funding these kinds of grants, should we be thinking about better coordinating how that is done and maybe instead of doing it through both agencies, think about how to put some sort of a working group together or maybe giving responsibility for one agency to fund those kinds of projects?

Mr. ADELSTEIN. Well, on that question I think we are very closely coordinated now. We work almost daily—actually, we do work daily on our staff level, and we talk almost daily about these programs. We very clearly distinguish between our program and the NTIA program in this second round, where we are doing last mile, they are doing primarily the comprehensive community middle mile. We have separate NOFAs. So I think, you know, there is no overlap. We have not overlapped on one grant application. We are

very careful to ensure that we go to certain places, they go to others, so there has not been one example of any overlap between us.

Now, in terms of the overbuild issue, maybe the best way—I think that Secretary Strickling laid it out very clearly, but a good way to illustrate that is what is happening in your State of New Hampshire, something you are familiar with. We are very committed to going to the most unserved remote parts of the country, and New Hampshire is no exception. Our grant in New Hampshire to Bretton Woods, which you are very familiar with, is more than 50 miles away from any city or town, a very remote area in northern New Hampshire, in the White Mountains, that today does not have any broadband, according to the broadband service definition that we have, the kind of broadband speeds that we need. And here Bretton Woods came to us, we provided a grant so they can provide fiber there.

Now this, as you know, is a very devastated part of New Hampshire with relatively low incomes, high unemployment for the State—the highest unemployment in the State, probably, because the paper mills shut down. What are the jobs of the future? I mean, there is tourism, there is second homes. But somebody who is coming to a second home in that beautiful part of New Hampshire cannot stay there, if they are from New York City, if they do not have broadband. So how are we going to bring money into that community for those service jobs, for everybody building it? We are creating jobs there to an area that does not have any broadband today. They are going to have broadband second to none with fiber to the home, more than 20 megabits per second in an unserved part of New Hampshire. And we have tried to focus on those areas throughout the country and to go to those areas first. Some areas that are underserved by definition there might be some pockets of service there, but we are trying to bring them all up and really bridge the digital divide between the more populated areas and the less populated areas, and that involves a comprehensive approach to funding the entire service area.

Senator SHAHEEN. Thank you.

Thank you, Madam Chair.

Chair LANDRIEU. Thank you. You all have been very good, and let us move to the second panel. Again, thank you all for your testimony. We appreciate it.

As the second panel comes forward, just to save time, I am going to just go forward with their introductions as they are taking their seats. Again, thank you all so very much.

Our first panelist will be Senator Gordon Smith, who has been welcomed here by many of his former colleagues. He now represents the National Association of Broadcasters as President and CEO. Welcome back, Senator.

Next is former Congressman Steve Largent. He served in the House of Representatives for any number of terms between 1994 and 2001. He is now President of CTIA–The Wireless Association and brings a little different perspective, of course, than Senator Gordon Smith. We are happy to have him.

We have from Lafayette, Louisiana, Terry Huval at my request to testify today. He is Director of Lafayette Utilities Service. In addition, Mr. Huval speaks fluent French and requested that we con-

duct the hearing in French. On all of our behalf, I declined so it will be Mr. Huval in English today. We are thrilled to have you.

Next we have Mr. Tom Gerke, Executive Vice Chairman of CenturyLink. Mr. Gerke brings years of industry and legal expertise to this company. He was in private practice before CenturyLink. He is headquartered in Monroe, Louisiana. We are extremely proud of this company as it has grown and expanded, and most recently signed an agreement to purchase Qwest, which puts them in the top among industry leaders in this country.

And, lastly, we have Steve Friedman, who is currently Chief Operating Officer for Wave Broadband, a Kirkland, Washington-based company that serves more than 170,000 customers located in communities in the states of Washington, Oregon, and California.

I think we have had our change-out conducted, and we are so happy to have everyone here on the second panel. Senator Smith, we will begin with you.

**STATEMENT OF HON. GORDON H. SMITH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL ASSOCIATION OF BROADCASTERS**

Mr. SMITH. Thank you, Madam Chair. In the interest of time and in respect of your schedule, I will put my extended remarks in the record and speak briefly to a few points.

Chair LANDRIEU. Thank you. Without objection.

Mr. SMITH. Madam Chair, local broadcasters bring together communities with information that entertains them, information that often is life-saving. From Lake Charles, Louisiana, to Bangor, Maine, local broadcasters take great pride in providing America's families with local news, weather, sports, emergency information, and other highly valued programming. Broadcasters strongly support expanding access to high-speed broadband to every American and believe we can play an important role in helping to achieve that national goal.

Due to the complex nature of this plan, I believe that Congress should have and take the time to fully scrutinize and dissect its recommendations. I thank Senator Snowe and Senator Kerry for the introduction of S. 649, the spectrum inventory legislation. It is imperative that we get all the facts so that we do this right.

Local broadcasters are small businesses, and they rely on other small businesses for advertising and for serving your constituents. We must not jeopardize this fragile communications ecosystem with policy solutions that jeopardize this.

It is important to remember, Senators, that we are not even a year into the digital transition. And at the direction of Congress, local broadcasters successfully transitioned to digital TV, giving back more than a quarter of the spectrum that TV broadcasting had. The Government spent nearly $3 billion getting converter boxes. Broadcasters have spent $15 billion making the digital transition. The American consumers have spent untold billion dollars getting new digital TVs. Local broadcasters are now offering hyperlocal, multi-casting programs in high definition, and they look forward to providing consumers with mobile digital television so you can see live stuff right here on your phone, and 3–D television

in the future. That is the promise that was made to the broadcasting spectrum and to American consumers.

I thank you, Chairwoman Landrieu, for your help in facilitating local broadcasters as first responders. In times of disasters, local broadcasters run towards the problem, not away from it. We stayed on the air during the Gulf Coast hurricanes, and when Washington was blanketed by two back-to-back blizzards, essential emergency information was supplied to the residents of this national capital area. And in a day of terrorism, it is important to recognize that broadcasting is the one signal that literally could be the difference of life and death for people confronted with terrorist actions.

I would like to put on the record, Madam Chair, how much broadcasters appreciated Chairman Genachowski coming to the NAB show in Las Vegas and stating that this Broadband Plan would never evolve from voluntary to compulsory. I would also like to say that, contrary to a report in the trades, the Chairman and I never reached any deal. What he said is what he said, and we are prepared to work with him.

On the issue of voluntary, however, there is one piece of the plan that is of great concern to broadcasters, and that is, the spectrum fees that are proposed for broadcasters. We are concerned that this is a mechanism to force broadcasters, small businesses, especially who are small business broadcasters, that will force them off of the air. Make no mistake. Such a punitive measure, such a fee would be a devastating blow to small businesses that I represent in the broadcast industry and the communities that they serve and who serve your constituents.

While not a part of the Broadband Plan, I cannot help but say that Congress should also resist shifting the scales of the fair market-based system of retransmission consent. The FCC should encourage the deployment of fixed wireless broadband services in rural areas using empty broadcast channels. If done the right way, this service has the ability to greatly increase rural penetration for hard-to-reach constituencies without taking spectrum from broadcasting. The NAB is pleased to be part of the discussion about the future of American communications, and simply put, any notion that we are looking at a world of broadband versus broadcast is false. It is a false choice. There are ways that we can help, and there are certainly ways that the broadband users today can build out their networks without compromising the essential service that broadcasters provide to the American people.

[The prepared statement of Mr. Smith follows:]

**Hearing on**

**"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"**

**United States Senate**

**Committee on Small Business and Entrepreneurship**

**April 27, 2010**

**Statement of Senator Gordon H. Smith**
**President and Chief Executive Officer**
**National Association of Broadcasters**

Good morning Chairwoman Landrieu, Ranking Member Snowe and members of the Committee. My name is Gordon Smith, and I am President and CEO of the National Association of Broadcasters ("NAB"). NAB is a nonprofit trade association that advocates on behalf of thousands of local radio and television stations and broadcast networks before Congress, the Federal Communications Commission ("FCC") and other federal agencies, and the Courts.

I am grateful for the opportunity to speak with you today regarding the impact that implementing certain recommendations of the National Broadband Plan could have on small businesses, and especially the small broadcasters that I represent. Broadcasting is often mistakenly labeled "Big Media" – a collection of major companies that control hundreds of stations. But that image is inaccurate. While there are some large broadcasters, the majority of broadcast stations are small businesses. Single station owners can be found in communities across the country, both large and small. And like any other small businesses, small broadcast stations are often the most impacted by governmental regulatory decisions. I will also note other small business interests at stake under the National Broadband Plan, including local small businesses that advertise on broadcast television and new entrepreneurs that want to harness portions of broadcast digital signals to provide innovative services to the public.

It is my hope that this Committee and Congress will look very closely at how many of the recommendations in the National Broadband Plan will affect small broadcast stations that serve local communities – and your constituents – throughout the nation.

## I. The Release of the National Broadband Plan Should Facilitate a Discussion about the Future of American Communications

Let me first acknowledge the effort of the FCC under the leadership of Chairman Julius Genachowski to develop the National Broadband Plan.[1] The task that Congress asked the FCC to undertake was daunting to say the least, but Chairman Genachowski tackled it with enthusiasm. He assembled a team from both within and outside the Commission called the Omnibus Broadband Initiative team. Over the course of seven months, that team developed a comprehensive 359-page document containing detailed information about the state of broadband deployment and recommendations for future action.

The document is, as you know, controversial. As the departing head of broadband team, Blair Levin, recently said: "We knew going in that people would like about 80 percent of the ideas and really hate about 20 percent of them."[2] They expected mixed reviews – and, to their credit, have been clear that the plan was not intended to be the final solution, but the start of a dialogue. The Chairman himself described the plan as a "living, breathing strategic blueprint that will be reviewed and revised in light of experience and growing knowledge."[3]

As I am sure this committee is well-aware, the broadcast community has some serious concerns with certain aspects of the National Broadband Plan. I will discuss some of those concerns in more detail below. But first I want to make some general observations about the Plan and its far-reaching proposals and ideas. I believe the vision that produced this Plan should be applauded. No one ever said that government

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[1] The National Broadband Plan, rel. March 16, 2010, available at http://www.broadband.gov. ("NBP").

[2] *See* "My chat with Levin about his broadband critics, surprises," Cecilia Kang, Post Tech Blog, WashingtonPost.com, April 19, 2010, *available at* http://voices.washingtonpost.com/posttech/2010/04/my_chat_with_levin_about_his_b.html.

[3] *See* Prepared Remarks of Chairman Julius Genachowski, Federal Communications Commission, March 2010 Open Agenda Meeting, "A National Broadband Plan for Our Future," at 4 (March 16, 2010).

had to remain behind the technological curve or be short-sighted. But given the breadth of the plan and its recommendations, we strongly encourage this Committee and Congress as a whole to scrutinize the plan carefully, ask how it will affect your constituents and consider both the desires and needs of all Americans, not just those purchasing a first generation iPad.

We believe the National Broadband Plan represents an ideal opportunity to begin a serious discussion about the future of communications in our country. Contrary to what you may have heard, broadcasters are not anti-broadband. Indeed, we believe, as do many Americans, that expansive high-speed broadband connectivity will have strong positive effects on the economy, on health care, and on the environment.

Broadcasters see the opportunity that broadband can create for businesses. Already we are witnessing the effects of the so-called "over the top video" movement as consumers move away from pay television regimes and embrace instead a combination of on-demand IP-video and live, local digital television received via an antenna as their primary sources of video entertainment and news.[4] Additionally, for more than a decade broadcasters have been repurposing existing content and creating new content for the Web. Those efforts are paying off. According to one recent report, TV online advertising revenue grew 10 percent in 2009 and was projected to grow 21 percent in 2010.[5] We are encouraged by these signs and expect that broadcasters will continue to leverage their unique content for use on multiple platforms, including the Web and mobile video.

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[4] *See* Erick Schonfeld, "Estimate: 800,000 U.S. Households Abandoned Their TVs For The Web," TechCrunch Blog, available at http://techcrunch.com/2010/04/13/800000-households-abandoned-tvs-web/.

[5] *See* "Stations Outpace Papers In '09 Web Sales," TVNewsCheck, April 20, 2010.

Other small businesses also have a stake in the broadcast/broadband confluence. Broadcasters have been approached by small start-up entities that want to use portions of the digital capacity on current broadcast channels to provide service to the public. For example, a small company called SEZMI has negotiated arrangements with some local broadcasters to lease and aggregate spectrum to deliver high-demand video content to customers. SEZMI presents itself as a direct competitor to multi-channel services such as cable and satellite.[6] Another small business, the CTB Group, submitted comments in the National Broadband Plan proceeding describing a potential partnership with broadcasters that would provide a wide array of mobile video and data services along with digital broadcast signals.[7]

Significantly reducing the amount of spectrum allocated for broadcast television, as the current plan suggests, could stifle opportunities for new entrepreneurs like these to develop innovative services for the public. It could also diminish possible opportunities for other small businesses to gain access to affordable data networks.

Another potential (and not necessarily obvious) impact of the National Broadband Plan's proposal to significantly reduce the amount of spectrum allocated for local television service could be on the small local businesses that advertise on local stations. With the recent conversion to digital broadcasting, many stations are taking the opportunity to provide new programming streams to the public. Multicast programming includes news, weather, sports, religious, lifestyle, children's and other programming targeted toward underserved demographic groups. For example, LATV, based in Los Angeles, is a bilingual network channel distributed on digital multicast streams that

[6] *See* Comments of Sezmi Corporation in GN Docket No. 09-51 (Dec. 22, 2009).

[7] *See* Comments of CTB Group, Inc. in GN Docket No. 09-51 (Dec. 22, 2009).

offers music and entertainment for young Latino audiences. Yet another example is MHZ Networks, based in Northern Virginia, which programs 10 digital multicast channels in the Washington DC market including channels that air Chinese, French, Japanese, Middle Eastern, Nigerian, Russian, South African and Vietnamese news and information.

Small businesses that want to reach likely viewers on specialized channels have new opportunities to advertise at affordable rates. While the National Broadband Plan does not propose elimination of multicasting, under a scenario where the number, capacity and potential reach of broadcast stations is significantly reduced, the potential for growth in this area is diminished. These are important issues that this Committee should consider as it examines the National Broadband Plan.

We are very pleased that Congress is holding hearings to discuss the National Broadband Plan and are especially pleased that you have decided to include broadcasters in that discussion. As we describe below, we believe that broadcasting has a very important role to play in the future communications landscape, for both technical and important public policy reasons. We look forward to discussing with all of you how our service, the most relied upon news and information source available, is well positioned to take advantage of this movement toward greater connectivity. As Chairman Genachowski said recently at the NAB convention in Las Vegas: "We're in the midst of a transformative digital age."[8] Representing an industry that last year completed a remarkable transition to all-digital broadcasts, I couldn't agree more. The question before this Committee and Congress now is how we make this transformation

[8] *See* "Remarks of Chairman Julius Genachowski, Federal Communications Commission, NAB Show 2010, Las Vegas, Nevada," April 13, 2010, available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-297469A1.pdf.

work for everyone – for broadcasters large and small, for small businesses throughout the country and, most importantly, for consumers and communities.

## II. NAB Believes That Broadcast and Broadband Architectures Complement Each Other and Should Each Be Part of a Future Communications Eco-System

If the communications marketplace has taught us anything over the last seven decades, it's that there is no one right way to reach consumers with news, information and entertainment. First, radio was supposed to be the death of newspapers. Then television was supposed to be the death of radio. Then cable was supposed to be the death of broadcasting. And now the Internet is supposed to be the death of all other media. And yet, just this morning, I listened to broadcast radio, watched television, read a newspaper and accessed my email via the Web. Each medium provides a unique and important service and each medium has its strengths and limitations.

While there is little doubt that the Internet will continue its remarkable rise as a pervasive communications medium, there is just as little doubt that citizens will still want access to local news and information, high-quality video like high definition ("HD") and 3D, and live events such as the Super Bowl and the Academy Awards. Broadcasting remains the ideal medium for delivering such content. This is particularly true in the wireless and mobile context. Wireless broadband is heralded in the National Broadband Plan as potentially more "transformative" than either the Internet or mobile communications alone. NBP at 77. And yet wireless broadband, even the faster and more robust variety imagined in the National Broadband Plan, has very distinct limitations. It cannot be all things to all people. And it especially cannot be all things to all people at the same time.

Wireless broadband operates using a point-to-point architecture. This unicast design essentially means that each user has his or her own path in the cellular network. This type of design has many advantages. One advantage is that two people standing next to each other using the same type of device and operating on the same wireless network can be accessing totally different types of information. The first person can be watching a video and the second person can be looking up directions to the closest Italian restaurant. But, if those two people and hundreds or thousands of other people near them are trying to access the same information at the same time – like they might during an emergency – the wireless network will quickly be overwhelmed.

In contrast, a broadcast point-to-multipoint architecture will never become overwhelmed. Additional users accessing the broadcast stream do not put any additional strain on the network, as they would in a wireless broadband point-to-point architecture. The lack of an uplink or return path feature in the typical broadcast model (often a perceived shortfall of the design) is, in fact, an important advantage when many people want access to the same content.[9] There is no need to request information, as one must when using wireless broadband. The content is simply there and available. For this reason, a broadcast architecture is the ideal and most efficient method of supplying highly sought after content – whether local severe weather reports or major sporting events – to many people at the same time.

[9] *See* James Krogmeier and David Love, *Technical Review: The Ongoing Need for Over-the-Air Broadcasting*, filed as Attachment A to Joint Comments of NAB and the Association for Maximum Service Television (MSTV) in FCC GN Docket Nos. 09-47, 09-137, 09-51 (Dec. 22, 2009), at 25-26.

This is an important point because, according to a report recently released by Cisco, almost 66 percent of mobile data traffic will be video by 2014.[10] Predictions about the tremendous growth in the demand for wireless broadband are predicated on a belief that consumers will want to access much of the content – high-demand video – that broadcasters will be providing. Broadcasters are currently beginning the rollout of Mobile DTV, a service which, if successful, could help offload much of the traffic from wireless broadband networks. And they will be providing this service using their existing spectrum allocations. Mobile DTV operates on a thin slice of a digital broadcaster's six MHz channel, side-by-side with primary HD channels and multicast channels. Using no more spectrum than that which is currently allocated to them, broadcasters should be able to lessen the demand on wireless networks and lessen the need for a radical reallocation of spectrum for wireless broadband use. But, reducing the spectrum allocated for broadcast television, as the National Broadband Plan suggests, would severely inhibit or even prevent the successful implementation of Mobile DTV.

## III. Federal Agencies Should Complete a Comprehensive Spectrum Inventory to Inform Significant Decisions about Spectrum Needs and Uses

An important first step in the process of developing broadband solutions is an inventory and analysis of usage across all of the radio spectrum bands managed by the National Telecommunications and Information Administration ("NTIA") and the FCC. In our dialogues with Congress and Federal agencies about broadband, NAB has emphasized three key principles that should guide efforts to promote broadband access and adoption, while preserving for the public the benefits of free, over-the-air

[10] *See* "Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2009-2014," Feb. 9, 2010, available at http://www9.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html.

broadcasting: (i) considering all frequencies that may be suitable for wireless broadband in developing an accurate assessment of spectrum suitable for broadband; (ii) prioritizing the efficient use of spectrum already allocated and suitable for wireless broadband; and (iii) maintaining an awareness of the limitations of wireless solutions as compared to wired solutions.

NAB believes that a comprehensive inventory – including spectrum allocated for Federal government use – would serve the public interest. A complete inventory and analysis of spectrum usage would inform the current debate over spectrum needs, and help to determine whether steps towards fostering greater spectrum efficiency – such as tightening service deployment deadlines for wireless licensees, or streamlining wireless licensing processes to get services to the public faster – are appropriate at this time.

Additionally, an inventory will demonstrate the high efficiency and unparalleled public benefits of the use of spectrum for free, over-the-air broadcasting. Digital television broadcasters are using their six MHz channel increasingly efficiently, providing HD programming, multiple program streams and soon Mobile DTV.[11] Broadcast services are a critical part of a national communications infrastructure that includes wired and wireless broadband services, wired and wireless voice services, and non-broadcast audio and video services. Our national priorities and public policies should continue to recognize the value that both free, over-the-air broadcasting *and* broadband can bring to every American.

[11] Local broadcasters are set to launch a Mobile DTV "consumer showcase" in Washington DC starting on May 3. Nine local stations will be airing more than 20 program streams to hundreds of viewers equipped with new Mobile DTV-enabled smartphones, laptops and portable DVD players. *See* News Release of the Open Mobile Video Coalition, "'All Systems Go' For May 3 Launch of Mobile Digital TV Consumer Showcase in Washington, D.C.," April 12, 2010. Available at http://www.omvc.org/_assets/docs/press-releases/2010/OMVC-All-Systems-Go-NAB-FINAL.pdf. Broadcasters expect to launch similar trials over the next year and full deployment throughout the country soon after.

NAB notes that, in tandem with the release of the National Broadband Plan, the FCC deployed a beta version of a "spectrum dashboard" – a tool that allows users to obtain basic information on licenses (including frequency bands) and descriptions of spectrum allocations. NAB applauds this initial step. As the Plan notes, however, the dashboard does not currently cover all bands.[12] The Plan recommends the development of an NTIA spectrum dashboard for federal spectrum and further expansion of the dashboard to cover additional FCC licenses, but observes that legislation being considered by Congress would examine a broader range of spectrum.[13] NAB believes that a comprehensive inventory and report will be indispensable to Congress and Federal agencies as they consider the critical questions of broadband deployment and its impact on small business entities. It is simply not possible to make rational determinations about spectrum allocation without clear and up-to-date information about how all spectrum bands are being used.

## IV. Spectrum Fees Could Have a Serious Negative Impact On Broadcast Stations, Especially Small Market Stations, That Operate with a Low or Negative Profit Margin

In the National Broadband Plan, the Commission asks Congress to grant authority to the agency to impose spectrum fees on license holders. *See* NBP at Recommendation 5.6. It also goes on to suggest that such fees "may help to free up

[12] The dashboard currently includes general information on non-federal use of spectrum bands in the range of 225 MHz to 3.7 GHz, as well as more detailed information about bands of particular relevance to broadband: the 700 MHz Band; Advanced Wireless Service (AWS); Broadband Personal Communications Service (PCS); Broadband Radio Service (BRS); Educational Broadband Service (EBS); Cellular; 2.3 GHz Wireless Communications Service (WCS); Full Power TV Broadcast; and Mobile Satellite Services (MSS).

[13] *See* Radio Spectrum Inventory Act, H.R. 3125, 111th Cong. (2009) (requiring an inventory of spectrum between 225 MHz and 10 GHz as of February 18, 2010); Radio Spectrum Inventory Act, S. 649, 111th Cong. (2009) (requiring an inventory of spectrum between 300 MHz and 3.5 GHz as of February 18, 2010).

spectrum for new uses such as broadband, since licensees who use spectrum inefficiently may reduce their holdings once they bear the opportunity cost of spectrum." NBP at 84.

In tandem with the National Broadband Plan, the Administration's proposed FCC budget for FY 2011 includes the following recommendation:

"To promote efficient use of the electromagnetic spectrum, the Administration proposes to provide the FCC with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The Commission would be authorized to set user fees on unauctioned spectrum licenses based on spectrum-management principles. Fees would be phased in over time as a part of an ongoing rulemaking process to determine the appropriate application and level for fees. Fee collections are estimated to begin in 2010, and total $4.8 billion through 2020."

This proposal is problematic from any number of perspectives. First, there is no real difference between those who hold "unauctioned spectrum licenses" and those who hold licenses acquired at auction; the only difference is that the buyers obtained the use of the licenses by paying different entities. The vast majority of entities using licenses not purchased in a government auction paid a market-clearing price to the prior owner -- a price which reflected the true value of the ongoing business including the license at the time of purchase. In addition, the FCC is required to award new broadcast licenses via auction, and some broadcast station owners have obtained their licenses in these Commission auctions, after having paid the full market price.

Second, local radio and television broadcasters do not enjoy billion dollar surpluses in their checkbooks. Most radio licensees are small businesses, and many --

far too many – are now operating in the red.[14] The FCC currently estimates that 97 AM stations and 271 FM stations and translators have been silent at least two months. *See* http://www.fcc.go v/mb/audio/status/silent.html. Imposing a levy like this would force many more to go dark or even exit the business permanently. That's not good for them as small businesses, but it's also not good for America, which depends upon local radio stations for news, information and entertainment programming, provided to listeners for free each and every day.

The same holds true of television broadcasters. While many larger television licensees do not qualify as small businesses, there are a number of television broadcasters, particularly in smaller markets, which do. Like all broadcasters, these stations have struggled during the recession. But even aside from current general economic conditions, they have faced the emergence of many new competitors for viewers and advertisers, and these problems are reflected in their bottom lines. In light of these competitive realities, the FCC has expressly recognized that small market television stations, independent stations and stations affiliated with minor networks are experiencing "particularly great" financial hardships. *Third Report and Order*, 22 FCC Rcd 21064, n. 192 (2007). As NAB has demonstrated in submissions to the FCC, and as the FCC has explained, "the ability of local stations to compete successfully" in the video marketplace has been "meaningfully (and negatively) affected in mid-sized and smaller markets," primarily because "small market stations are competing for

[14] As the Pew Research Center's Project for Excellence in Journalism recently reported, broadcast radio has the largest audience of all types of audio outlets, but "this is where the profit and revenue are under the most pressure." *2010 State of the News Media*, Executive Summary, Audio Section (2010) (also noting that broadcast radio experienced an 18% drop in ad revenue in 2009 compared to 2008, which was itself a year in which ad revenue had declined from 2007).

disproportionately smaller [advertising] revenues than stations in large markets." *Report and Order*, 18 FCC Rcd 13620, 13698 (2003).

If smaller broadcast stations already suffering from declining profitability, and even experiencing financial losses, are forced to pay spectrum fees to the government, then such stations will have even fewer financial resources for serving their viewers, and will be forced to reduce their programming and other services to local communities. After all, local news operations and other quality programming services are costly to maintain. Indeed, depending on the level of spectrum fees imposed, many small market stations, as well as non-major network affiliated stations in all markets that tend to serve niche audiences, could even be forced out of business. NAB believes that it would not be in the public interest for government-imposed fees to deprive viewers and communities of the important local television and radio services upon which they rely, including vital emergency information.

Clearly, these proposed fees are bad for the small businessmen and women who own radio and television stations and bad for their viewers and listeners. But they are also a bad way to govern. Think about the implementation of a new fee program as a "spectrum management tool."

What the FCC is really proposing is a mechanism to influence the behavior of its licensees with new fees. From a spectrum management perspective that can mean only one thing: that the Commission wants to clear bands of frequencies of incumbent licensees by charging fees.

This Committee should not support this *sub rosa* way of spectrum reallocation. If the FCC wants to clear a band then it should commence a reallocation proceeding, tell

the American people of the consequences of reallocating the spectrum currently used to provide free, over-the-air broadcast services, and let the public comment. Raising fees, and forcing stations out of business in order to achieve the same result, is not the way that spectrum policy should be implemented. This is particularly true in light of the recent transition to digital television, where the American people were promised that they would receive crystal-clear digital pictures and additional services, including multicast channels, if they invested in digital receiving equipment. Imposing spectrum fees that would ultimately function to take spectrum away from digital television stations would strand the investment of broadcasters, the government and, most importantly, consumers in the digital transition.

## V. Congress Should Direct the FCC to Focus its First National Broadband Plan Efforts on Fostering Deployment of Fixed Wireless Broadband Services Using Vacant Broadcast Channels in Rural Areas.

The first order of business for the National Broadband Plan should be encouraging deployment of fixed wireless broadband services for rural areas. It is these areas where broadband is less available and affordable, and where it is readily achievable – using vacant broadcast channels. Indeed, as discussed below, Canada has already authorized this technology to support its underserved rural populations.

As NAB has repeatedly advocated, use of vacant spectrum (aka "white spaces") between television channels for fixed licensed broadband in rural areas is a way to improve broadband access for these underserved areas.[15] Engineered properly, these unused channels could presumably be also utilized for backhaul in these areas.

[15] *See, e.g.*, Joint Reply Comments of MSTV and NAB, ET Docket Nos. 04-186 and 02-380, at 5 (March 2, 2007) ("MSTV/NAB Joint Reply Comments) (supporting the introduction of fixed devices into the TV white spaces to "provide new broadband services, especially to rural and underserved areas of the United States"); Letter from David Donovan, MSTV and Jane Mago, NAB, GN Docket No. 09-51 (July 21, 2009).

Because the broadcast bands are used less intensively in rural markets, with appropriate technical protections fixed broadband services can operate in this spectrum without undermining consumers' access to free, over-the-air digital television or new mobile DTV services.[16] Broadband deployment in rural areas can be swift, non-disruptive, and serve areas with the greatest need.

Indeed, the broadcast spectrum is ideal as a technical matter for use by fixed devices to provide rural broadband services. We emphasize, however, that certain baseline interference protections must be implemented when fixed broadband services are deployed in broadcast spectrum in rural areas. These include the proper desired to undesired ("D/U") ratios, prohibiting operation within the contour of co- and adjacent channel DTV stations and implementing stricter out-of-band emission limits.[17] Congress should therefore instruct the FCC to ensure that these specific protections are included in its broadband planning for rural markets.[18]

Other parties that have addressed white space use in connection with the FCC's National Broadband Plan have noted its utility in rural areas.[19] The Canadian government has likewise authorized licensed use of television spectrum for broadband

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[16] These protections include a prohibition on operation in the channels immediately adjacent to an occupied television channel (the "first adjacent channels"). *See Unlicensed Operation in the TV Broadcast Bands; Additional Spectrum for Unlicensed Devices Below 900 MHz and in the 3 GHz Band*, Second Report and Order and Memorandum Opinion and Order, 23 FCC Rcd 16807, 16812 ¶ 10 (2008).

[17] *See* MSTV/NAB Joint Reply Comments, *supra* fn. 15 at 7-24.

[18] Use of the white spaces for fixed broadband should not be confused with use of the white spaces for unlicensed mobile (*a.k.a.* "personal/portable") devices. Whereas "fixed" wireless broadband could help provide consumers in rural areas with reliable broadband access, mobile unlicensed devices do not themselves make broadband access available. Indeed, in addition to degrading consumers' access to digital television, unpredictable interference from unlicensed mobile devices may have the unintended effect of precluding use of the while-space spectrum for fixed broadband access.

[19] *See, e.g.*, Comments of Public Knowledge, Media Access Project, the New America Foundation, and U.S. PIRG, GN Docket No. 09-51, at 32 (June 8, 2009) ("Rural areas would have more white spaces compared to urban regions due to presence of fewer broadcasting channels there"); Comments of Wireless Communications Association International, GN Docket No. 09-51, at 47 (June 8, 2009).

in "rural and remote" areas. That decision similarly reflects the fact that, unlike in urban and suburban areas, in rural areas there is typically sufficient white-space spectrum for fixed broadband use, including for backhaul purposes.[20]

Aside from the many technical advantages of authorizing licensed use of television spectrum for broadband in rural/remote areas, there is also a practical advantage in that it can bring a solution to market very quickly. In sharp contrast, proposals involving reallocation or repacking of broadcast and/or other spectrum could involve years of administrative rulemaking activity to determine exactly how specific bands should be used, the establishment of service rules for various bands, adoption of relocation rules and procedures and eventually an auction. Completion of an auction is only the beginning of yet a new set of administrative processes including FCC review of "long form" applications to evaluate the qualifications of winning bidders, collection of payments and then license grant.

This final step only means that Americans may receive new or expanded services several years down the road, because FCC rules generally only require wireless licensees to offer services to portions of their coverage areas within five or ten years after license grant.[21] Accordingly, if a near-term solution to the lack of broadband

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[20] *See* Interim Technical Guidelines for Remote Rural Broadband Systems Operating in the Band 512-698 MHz (TV Channels 21-51), Industry Canada (rel. March 2007).

[21] *See, e.g.*, 47 C.F.R. § 22.503 (within five years of license grant, paging licensees must construct and operate facilities covering two-thirds of the population in their geographic service areas or demonstrate substantial service); 47 C.F.R. § 24.103 (within 10 years of license grant, nationwide narrowband PCS licensees must construct base stations covering a specified geographic area, serve 75 percent of the U.S. population, or demonstrate substantial service); 47 C.F.R. § 24.203 (within 10 years of license grant, broadband PCS licensees holding 30 MHz blocks must operate with a signal level sufficient to provide adequate service to at least two-thirds of the population in their licensed area or demonstrate substantial service); 47 C.F.R. § 101.1011 (within 10 years of license grant, local multipoint distribution service licensees must demonstrate substantial service). If an extension of the construction period is not granted and construction deadlines are not met by a licensee, FCC rules provide that the licensee's authorization automatically terminates. *See, e.g.,* 47 C.F.R. § 1.946(c).

services in rural areas is desired, policymakers should pursue solutions that can and will be implemented in a timely manner. We therefore urge Congress to direct the FCC to pursue this path as its first priority. Quicker broadband deployment in rural areas would obviously benefit consumers but also small businesses by helping them become more competitive with larger entities and with entities in urban areas.

Television broadcasters can be an important component in the deployment of our national broadband system. Based on our knowledge of the broadcast spectrum and experience with digital television reception, NAB looks forward to working with Congress and the Commission in these efforts.

## VI. Congress Should Also Direct the FCC and NTIA to Develop Policies That Encourage More Spectrally Efficient Uses of Existing Wireless Broadband Allocations

The National Broadband Plan recommends that the FCC make available 500 MHz of spectrum for wireless broadband use within the next ten years, 120 MHz of which is expected to come from spectrum currently allocated for broadcast television use. NBP at 77. This recommendation is guided by two beliefs: one, that a massive increase in demand for wireless broadband will be driven by smartphones and similar devices and two, that the existing wireless architecture will improve in speed but remain largely of the same design. Demand for wireless broadband undoubtedly will increase, although no one can predict by precisely how much. But the second belief about the capability of the existing wireless architecture is based largely on how much the government guides and incentivizes wireless broadband companies to use their existing allocations more efficiently.

Many experts do not agree that simply throwing more spectrum at wireless companies is the best approach for ameliorating a perceived spectrum shortfall.

According to a recent Aspen Institute publication entitled "Rethinking Spectrum Policy:" "Increased demand for wireless services does not automatically mean a need for increased spectrum. Wireless network capability is a function of the amount of spectrum available, spectrum efficiency, and frequency reuse, typically obtained in wireless networks by reducing the size of cell sites."[22] Martin Cooper, the lead inventor of the cell phone and leading expert in spectrum management, said recently that the solution to a predicted spectrum shortfall "is not redistributing spectrum . . . . [i]t is, in fact, creating new capacity" using new technology.[23] Indeed, according to Cooper's law, spectrum efficiency doubles every two and a half years; over the last 90 years, spectrum utilization has increased over a trillion times.[24]

As NAB has previously demonstrated, there is no necessary connection between simply allocating additional spectrum and an increase in broadband penetration.[25] Indeed, as other observers have pointed out, obtaining more spectrum is merely the cheapest way for wireless companies to expand service – it is not the only way or even the optimal way. As recently noted in the *Economist,* wireless companies "tend to lobby

[22] MacCarthy, Mark, *Rethinking Spectrum Policy: A Fiber Intensive Wireless Architecture*, The Aspen Institute, Communications and Society Program, 2010, 9-10.

[23] *See* "Cell Phone Inventor: Spectrum Reclamation Isn't Answer," Broadcasting & Cable, John Eggerton, March 5, 2010.

[24] See ArrayComm, Cooper's Law, http://www.arraycomm.com/serve.php?page=Cooper (last visited Dec. 18 2009) (describing the application of Cooper's Law).

[25] *See* James Krogmeier and David Love, *Technical Review: The Ongoing Need for Over-the-Air Broadcasting*, filed as Attachment A to Joint Comments of NAB and the Association for Maximum Service Television (MSTV) in FCC GN Docket Nos. 09-47, 09-137, 09-51 (Dec. 22, 2009), at 10-11. This report explained that allocating more of a certain resource does not mean that the resource will be used or used efficiently, and pointed out that reviews of broadband policies from around the world had found no consistent correlation between regulatory structures and spectrum policies, on the one hand, and third generation wireless penetration, on the other.

governments for more and better spectrum before investing" in technologies that help them squeeze more capacity from their existing allocations.[26]

One technology that shows particular promise to help reduce demand on wireless networks is the femto cell, a "low-power, short-range base station that users connect to an existing wireline broadband connection to expand coverage within a home or office."[27] Femto cells, like WiFi hotspots, are a relatively cheap and easy way to quickly offload traffic onto higher-capacity wired broadband lines. Employed expansively through the country, and especially in high-population urban areas, Femto cells and similar technologies could help alleviate much of the need for more wireless broadband spectrum.[28] Such technologies will enable much more efficient use of spectrum, and will help enable the expansion of wireless broadband services without compromising other valuable services, including free, over-the-air broadcasting.

NAB strongly encourages Congress to create economic incentives for wireless companies to invest more in technologies like femto cells and to ensure they are using their existing allocations most efficiently. Dumping new spectrum in their coffers will have will have the opposite effect, discouraging investment and innovation, and will not ultimately result in the most efficient use of the nation's spectrum resource.

## VII. Conclusion

[26] *See* "Breaking up," The Economist, February 13, 2010, at 65-66.

[27] *See Rethinking Spectrum Policy, supra* fn. 22.

[28] NAB has previously discussed femto cells and other emerging technologies in more detail in submissions to the FCC. James Krogmeier and David Love, *Technical Review: The Ongoing Need for Over-the-Air Broadcasting*, filed as Attachment A to Joint Comments of NAB and the Association for Maximum Service Television (MSTV) in FCC GN Docket Nos. 09-47, 09-137, 09-51 (Dec. 22, 2009), at 18-21.

NAB is very pleased to be a part of any discussion about the future of American communications. We believe that the National Broadband Plan is a unique opportunity for the government and private businesses to work together to shape how Americans will be accessing information in the 21st Century. Broadcasters, both large and small, will continue to play a major role in their local communities in the digital age. In particular, the broadcast industry urges this Committee to focus on fostering development of fixed wireless broadband services using vacant broadcast channels in rural areas. Such as effort should result in significant expansion of broadband accessibility and use by consumers and small businesses alike. Thank you for your attention.

Chair LANDRIEU. Thank you very much, and that was an excellent statement. Let me ask you all if you could try to keep your comments to about 3 minutes each. We will submit your entire statement for the record, and then Senator Snowe and I both have a series of questions along with Senator Shaheen, and I am going to ask Senator Snowe to go first for the questions because she has got a 12 o'clock meeting and I have got a little bit more time.

Mr. Largent. Congressman.

**STATEMENT OF HON. STEVE LARGENT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CTIA–THE WIRELESS ASSOCIATION**

Mr. LARGENT. On behalf of CTIA, I want to thank Chairwoman Landrieu and Ranking Member Snowe and all the Senators on the Committee for the opportunity to participate in today's hearing on the National Broadband Plan and its impact on small business.

CTIA's members include wireless carriers, network equipment builders, handset manufacturers, integrators, application developers, each of which contributes to making the United States the most competitive, innovative wireless marketplace in the world. Large or small, CTIA's members are focused intensely on helping to provide wireless services and products that benefit every American consumer and business.

CTIA's membership believes that the National Broadband Plan represents a significant opportunity to expand broadband Internet access to reach all Americans. This is especially true with respect to the spectrum and the need to address what the FCC Chairman has termed a "looming spectrum crisis." Thus, we are excited by the plan's intensive focus on the need to make additional spectrum available for mobile broadband services. Accomplishing that goal quickly is critical.

As the plan's author, Blair Levin, said last week, "if we get the implementation of the mobile piece of the plan right, we can precipitate a massive private investment boom and build a world-leading broadband ecosystem. And if we get it wrong, we will cause our economy to suffer." We agree with Blair, and we are focused on helping to get it right.

With adequate spectrum and continued significant private investment and innovation, we can ensure that every American has access to broadband at home, at work, at school, and in our public institutions. We believe that continued evolution towards always on, always available, high-speed wireless broadband has profound implications for every segment of our society, including America's small businesses.

I am going to skip over some of my statement here and submit it for the record. But implementation of the spectrum recommendations in the plan, aided by the enactment of Senator Kerry and Snowe's Radio Spectrum Inventory Act will enable all of these companies and others to grow, while also helping to promote continued U.S. leadership in the wireless industry.

Beyond addressing the looming spectrum crisis, policymakers can enhance small businesses' ability to succeed by reforming the Tax Code to better reflect the realities of our information-driven economy. Mobile devices are no longer a luxury for business; they are

a necessity. The Tax Code must reflect this shift. And Senator Kerry's MOBILE Cell Phone Act would make a much needed change in the Tax Code by eliminating the outdated recordkeeping obligations devised in a day and age when the wireless device was called a car phone and a minute of air time cost an order of magnitude more than a minute of use does today. Requiring every person with an employer-provided device to comply with detailed call-by-call recordkeeping requirements might have made sense in the late 1980s, but it sure does not make sense today.

I will just say the wireless industry looks forward to working with Congress, the FCC, and other stakeholders to ensure that every American consumer and business has access to robust mobile broadband service. By adopting the National Broadband Plan's spectrum recommendations, updating our tax policies, and continuing a strong commitment to encouraging private investment, we can make that vision a reality.

I appreciate the opportunity to share these thoughts, and I look forward to your questions.

[The prepared statement of Mr. Largent follows:]

CTIA
The Wireless Association™

Expanding the Wireless Frontier

**Steve Largent**
*President/CEO*

**Testimony of Steve Largent**
**President and CEO, CTIA – The Wireless Association®**
**before the**
**Senate Committee on Small Business and Entrepreneurship**
**April 27, 2010**

On behalf of CTIA - The Wireless Association®, I want to thank Chairwoman Landrieu and Ranking Member Snowe, and all the Senators on the Committee, for the opportunity to participate in today's hearing on the National Broadband Plan and its impact on small business.

CTIA is an international organization representing the wireless communications industry. Our membership ranges from some of the largest, publicly traded companies in America to small, privately held companies with just a few employees. Our members include carriers, network equipment and handset manufacturers, integrators, and applications developers, each of which contributes to making the United States the most competitive, innovative wireless marketplace in the world. Large or small, CTIA's members all are focused intensely on helping to provide wireless services and products that benefit every American consumer and business.

CTIA's membership believes that the National Broadband Plan represents a significant opportunity to expand broadband Internet access to reach all Americans. This is especially true with respect to spectrum and the need to address what Federal Communications Commission Chairman Genachowski has termed a "looming spectrum crisis." Thus, we are excited by the plan's intensive focus on the need to make additional spectrum available for mobile broadband services. Accomplishing that goal – quickly – is critical. As the plan's author, Blair Levin, said in a speech last week, "if we get the implementation of the mobile piece of the Plan right, we can precipitate a massive private investment boom and build a world leading broadband ecosystem. And if we get it wrong, we will cause our economy to suffer huge losses in wealth and jobs." We agree, and we're focused on helping to get it right.

With adequate spectrum and continued, significant private investment and innovation, we can ensure that every American has access to broadband at home, at work, at school, and in our public institutions. We think that the continued evolution toward always-on, always-available

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high-speed wireless broadband has profound implications for every segment of our society, including America's small businesses.

Whether accessed by aircard or smartphone, wireless broadband creates significant opportunities for small businesses to appear large, for remote businesses to appear local, and for nimble businesses to compete more efficiently. Without the need to be tied to a desk or wall jack, wireless broadband enables employees to be more productive.

While a 2009 Harris Interactive study found that businesses of all sizes are increasing their reliance on wireless data services, this shift is perhaps most profound in small businesses, since employees in smaller companies tend to be highly mobile. That is particularly the case with respect to home-based businesses, where workers have to be out and about to visit with customers, suppliers, and partners. As a result, employees in small office/home office companies tend to be more dependent on their mobile devices than employees in larger enterprises may be. In fact, a recent study by Compass Intelligence found that workers in a small office/home office setting spend 50% more time on their wireless devices than employees in an enterprise setting do. Enhanced wireless broadband access will benefit these companies, and thus they have a stake in the outcome of the National Broadband Plan's implementation.

Examples of mobile products and services that can help drive efficiency gains, enable innovation, and expand business opportunities are growing by the day, but let me highlight just a few for you. Most of these companies are less than five years old, and if you haven't heard of them yet, you probably will soon.

> **Stelera Wireless**: After buying licenses in the 2006 AWS-1 spectrum auction, privately held, Oklahoma City-based Stelera has launched wireless broadband service in a variety of markets in Texas , Colorado, and Kansas, none of which are larger than 20,000. Stelera's service enables companies doing business in these markets access to connections as fast as 14.4 Mbps downstream and 2 Mbps upstream, enabling users to access a global supply system while marketing their goods and services on a broad basis.
>
> **Mozido**: This Dallas-based company provides electronic banking solutions to carriers, banks, and retailers. Mozido's service provides end users with an FDIC-insured stored value account that enables a variety of financial transactions to be

completed over the mobile device, generally at a fraction of the cost of traditional banking services.

**KoreTelematics**: This company, based in Alpharetta, Georgia, is at the forefront of enabling machine-to-machine communications that will assist in a range of integrated telematics services, including smart-grid monitoring and fleet management.

**Square**: Developed by a San Francisco-based company, the Square is a tiny device that plugs into the audio port on an iPhone and transforms a mobile phone into a check-out stand capable of accepting credit/debit card payments. An Android version of the device is in development and there is no reason why this concept can not be expanded to work with any device that has audio port that can run software. This sort of mobile payment advance can expand the capability of a small business to accept a wide variety of payments for goods or services.

**IPPLEX/iVisit**: This Santa Monica, California-based company has developed LookTel, a smart phone application which automatically scans and recognizes common household objects and provides other assistance to the visually impaired. The technology was developed with the help of grants from the National Institute of Health and National Eye Institute. LookTel won first place in the Mobile Applications - Healthcare category at 2010 CTIA E-Tech Awards.

**Zoom Safer**: This Reston, Virginia-based company is focused on developing innovative software that prevents consumer and corporate motorists from texting and emailing while driving.

The wireless platform is the common tie between these companies that are helping drive the transformation of our e-commerce, telematics, and health care marketplaces, often in competition with much larger companies. They need access to a robust wireless broadband to succeed, and with it, the services and products these entrepreneurs offer can be leveraged to help other small businesses succeed too.

Implementation of the spectrum recommendations in the Plan, which will be aided by enactment of Senator Kerry and Senator Snowe's Radio Spectrum Inventory Act (S. 649), will enable these companies and others to grow, while also helping to promote continued U.S. leadership in the wireless industry.

In addition to ensuring that the wireless industry has sufficient spectrum to meet rapidly growing consumer and business demand for mobile bandwidth, policymakers can enhance small

businesses' ability to succeed by reforming the tax code to better reflect the realities of our information-driven economy. Mobile devices are no longer a luxury for business, they are a necessity. The tax code must reflect this shift.

Senator Kerry's MOBILE Cell Phone Act, S. 144, would make a much-needed change in the tax code by eliminating outdated record-keeping obligations devised in a day and age when the wireless device was called a "car phone" and a minute of airtime cost an order of magnitude more than a minute of use does today. Wireless devices are now nearly ubiquitous in the small business environment, and data from Harris Interactive suggests that a majority of those devices are provided to employees by their employer. Requiring every person with an employer-provided device to comply with detailed, call-by-call record-keeping requirements might have made sense in the late 1980s, but it doesn't make sense today.

Enactment of S. 144 would cure this problem by eliminating the record-keeping obligation and treating an employer-provided wireless device the same way a wireline telephone or desktop computer are treated. Treasury Secretary Geithner and IRS Commissioner Shulman have expressed support for the bill and two weeks ago the House passed companion legislation. We thank the Senators on this Committee for their support of the Kerry bill and strongly urge its adoption during the current session.

The wireless industry looks forward to working with Congress, the FCC, and other stakeholders to ensure that every American consumer and business has access to robust mobile broadband service. By adopting the National Broadband Plan's spectrum recommendations, updating our tax policies, and continuing a strong commitment to encouraging private investment, we can make that vision a reality.

I appreciate the opportunity to share these thoughts with you and look forward to your questions.

Chair LANDRIEU. Thank you very much.

Mr. Huval.

**STATEMENT OF TERRY HUVAL, DIRECTOR OF UTILITIES, LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT**

Mr. HUVAL. Bonjour, Madame La Presidente. I could not pass it up. "Madam Chair" in French is "Madame"——

[Laughter.]

Chair LANDRIEU. I told you he would do it if I did not——

Mr. HUVAL. I thought you would enjoy that. I also want to thank Ranking Member Snowe. In the Northeast, of course, we share a very common heritage between—from my ancestors.

My name is Terry Huval. I am the Director of Utilities for the Lafayette utility system, and I had some prepared remarks, but in consideration of time and what I have heard so far, I have something to share with you.

The things that were being espoused during the first panel today are what we are doing in Lafayette today. We are providing 100 megabits per second of connectivity to our entire city. We do not discriminate between one side of town or the other. Everyone, the poor and the rich and the small businesses, all have access to the system. And we did not do it with $1 of Federal Government funds, State government funds, or local taxes. We did it because people in our community said they are willing to allow us to borrow the money to move forward with this initiative. And you would think that that would be, you know, a pretty easy place for us to go because we are not borrowing money—not having to get tax dollars. But I will tell you, the challenge has been great.

The 1996 Telecommunications Act provided language that said that any entity could provide telecommunications services. Local governments perceived that as meaning that they could provide that type of service. We found out later on that through cases that went to the U.S. Supreme Court, a State could prevent or adjust the ability for local governments to get into this kind of business. And so in Louisiana, the Local Fair Competition Act, Local Government Fair Competition Act was passed in 2004, which, despite its label—its label has been anything but—excuse me, I have a cold—has been anything but a fair act. It provides numerous costs and challenges for us to overcome to provide these services to our customers, and continued intimidation by Cox Communications and Bell South over the years to try to make it more difficult and more costly for us to provide these services.

We believe that the simple measure of trying to get complete shackles off of local governments to provide these services will have the greatest impact on getting broadband out, because then you will have a truly competitive option that companies who decide not to make those investments, even though they are requested to. In Lafayette, we asked the cable company—the telephone company to provide these services. They said no, Lafayette was too small, they were not going to make that kind of investment. But yet when we try and do it ourselves, they oppose us.

So if you have local governments able to provide these kinds of services, then the private companies will get it. They will either de-

cide they are going to do it, or they are going to allow local governments to provide the services.

We could do this ourselves. Since 1896, Lafayette and many other public power systems have built and operated complex electrical utility systems, and we can do this. And we are doing it already in Lafayette.

My written testimony has much more complete stories about what we went through, but suffice it to say that our statement is—we have the solution to this problem.

[The prepared statement of Mr. Huval follows:]

**Testimony of Terry Huval**
**Director of Utilities**
**Lafayette, Louisiana**

**Before the**
**Committee on Small Business and Entrepreneurship**

**Hearing on "Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"**

Madam Chairman and Members of the committee, my name is Terry Huval, and I serve as the Director of Utilities of the Lafayette City-Parish Consolidated Government in Lafayette, Louisiana. I am appearing here today on behalf of my community and on behalf of the American Public Power Association (APPA), an association representing the interests of over 2000 public power communities in North America. Thank you for the invitation to participate in this important hearing regarding efforts to expand Internet access to small businesses in both commercial locations and in the home.

## I. LAFAYETTE'S VISION AND COMMUNITY SUPPORT

Lafayette believes the Internet and major broadband is as important to the future of our citizens and businesses as was the construction of our own electric utility system, a critical infrastructure proposition that received a unanimous vote of approval from its community in 1896. Some 109 years later, Lafayette's citizens overwhelmingly supported the entry of our local government into the telecommunications business through a 62% vote of approval at a public referendum in 2005. This new communications system is named after the city's utility enterprise, Lafayette Utilities System (LUS) and operates under the trade name of "LUS Fiber".

LUS Fiber is already serving thousands of customers today, both homes and businesses, and is providing its customers with the nation's fastest Internet speeds at unprecedented low prices. Lafayette is currently the largest U.S. city with a community-owned fiber system. The LUS Fiber to the Home and business system is expected to complete its citywide street-by-street deployment by July 2010, which is some 9 months ahead of schedule. While this brief description of Lafayette's progress on this initiative would appear straightforward enough, the lengthy and costly struggle to reach these important milestones has been anything but simple.

## II. LEGAL INTERFERENCE BY INCUMBENT TELECOM PROVIDERS

Subsequent to the initial public announcements made relative to Lafayette's exploration into this venture in April 2004, the city's major incumbent private telephone company (BellSouth) and cable TV company (Cox Communications), were repeatedly invited to build a fiber to the premise infrastructure in our city, in lieu of Lafayette doing so. Those companies steadfastly refused to do so, stating that Lafayette was too small of a market to make such a large investment. Despite their refusal to make the investment themselves, these telecommunications providers aggressively opposed the city's entry into the telecommunications arena. Within days of the city's announcement to perform a market survey to find out if there was sufficient interest in the community for the city to move forward with such an initiative, BellSouth orchestrated legislation which, while self-styled as a "fairness" bill, would have effectively prohibited any local government in Louisiana from offering telecommunications services. Because of the political influence and

unlimited resources of these mammoth telephone and cable corporations, Lafayette could not kill this legislation outright and was forced to negotiate provisions that, while not prohibitive, placed Lafayette at a significant disadvantage as compared to these very established private companies. As a result, the so-called "Local Government Fair Competition Act" (LGFCA) was enacted.

The FCC National Broadband Plan, on page 153, includes Louisiana as one of 18 states that "have passed laws to restrict or explicitly prohibit municipalities from offering broadband services." While the Louisiana law did not prohibit Lafayette from providing broadband services, its mere presence provided, and continues to provide, a fertile playground for BellSouth (and its successor AT&T), Cox and their allies to create mischief, resulting in discouraging local governments from stepping in to provide these services even when the private telecom companies refuse to do so. In the case of Louisiana, no other local government has stepped up to attempt to provide communications services, even in instances when the private providers decline to do so. This is not surprising when one considers the direct cost for communities to pursue this as a result of lawsuits and other further provisions these private telecom companies have effectively lobbied into law. Add to that, the undesirable experiences Lafayette endured due to the aggressiveness of BellSouth, Cox and their surrogates, and it is easy to see why this law is an effective barrier to entry, even while paying lip service to the possibility of municipal involvement. In essence, the LGFCA – despite its oft stated purpose of "leveling the playing field" -- has effectively become the biggest impediment for local government to offer these services.

The LGFCA was touted by the incumbent telecom providers as being necessary to create a "level playing field" when a governmental entity enters the market place; however, one cannot help but note the irony of that assertion. Lafayette certainly agrees that the playing field is not level, but all of the advantages go to the private providers.

For example, while Cox Communications can make rate decisions in a private conference room several states away, Lafayette conducts its business in an open forum, as it should. While Cox can make repeated and periodic requests for documents under the Public Records Law, it is not subject to a corresponding obligation – a "show me your plans, but don't dare ask to see mine" mentality. Louisiana law limits the ability of a governmental enterprise to advertise, but nothing prevents the incumbent providers from spending millions of dollars in advertising campaigns. An important focal point of the legal challenges involved the right or ability of Lafayette to pledge assets of the utilities system as security for the bonds, something that the private corporations do all of the time without the slightest scrutiny. To be sure, the "playing field is not level," but it is the government which is disadvantaged, not the private companies.

Lafayette's story continues...Once the Louisiana legislation was put into law in July 2004, BellSouth took advantage of their first opportunity to file suit. The suit pushed the envelope concerning a referendum election, which was not a direct requirement in the negotiations of LGFCA. However, as a result of adverse rulings in the state district court and state court of appeals, Lafayette of its own accord brought the issue to a public referendum vote. As it turned out, the arrogant push back by BellSouth and Cox ignited many in the community. Grassroots support sprang up in many sectors of the city. By the

time the July 16, 2005 election rolled around, Lafayette's fiber initiative had gained the endorsement of both the Parish Democratic Executive Committee and the Parish Republican Executive Committee. It also received the endorsement of the Greater Lafayette Chamber of Commerce and a number of other established organizations in the community. In addition, the local daily newspaper issued five editorials in support of the initiative and the local weekly paper also issued editorials in support of the initiative.

Despite an aggressive campaign by the private telecom entities and their allies designed to incite fear or uncertainty in the citizenry, the referendum passed by a 62% vote, with nearly every precinct in support. The only organized opposition was from a group consisting of three citizens whose arguments seemed curiously consistent with those of the incumbent telecom companies and their state organizations.

With a successful public vote behind it, Lafayette began its efforts to secure funding for the project through the issuance of tax-exempt municipal bonds. The corresponding bond ordinance was unanimously approved by both the governing authority of the utilities department and the city-parish council, as well as the State Bond Commission, but soon was challenged by the filing of suits by the incumbent companies and their respective state organizations. The state district court ruled in favor of the city, but that decision was overturned against the city by the state appeals court. Although Lafayette disagreed with the higher court ruling, Lafayette modified its bond ordinance accordingly and again received unanimous support from the aforementioned bodies. The bond ordinance again received a legal challenge, but this time by two citizens of the community. To this day I still do not know what these two citizens even look like. Some suggest the extensive legal costs associated with the subsequent court proceedings were underwritten by others. Even

the Chief Justice of the Louisiana Supreme Court – a long standing friend of your family, Madam Chairman -- asked the plaintiffs' attorney if they were being paid by the telephone company, during the ultimate Supreme Court hearing on this issue.

This third case also resulted in a ruling in Lafayette's favor by the state district court, but was subsequently overturned by the appeals court. This time, Lafayette appealed the ruling to the State Supreme Court, which overturned the appeals court by a unanimous 7-0 decision in February 2007.

During these court battles, Lafayette also had to endure additional struggles in the Louisiana Public Service Commission (LPSC). Although state law does not allow the LPSC to regulate a municipally-owned utility system, certain aspects of the LGFCA regarding cost allocations and affiliate transactions required additional rule-making beyond the Act itself. Lafayette agreed that the LPSC, which has developed similar rules for private telecom companies, would be an appropriate forum to develop such rules. Again, however, BellSouth and Cox used this additional opportunity to try to make the mandates of the LGFCA even more onerous for Lafayette. Those interventions forced more costs on Lafayette through some of the resultant rules.

In addition, the private telecom companies were successful in 2005 to amend LGFCA by including a mandatory provision in the LGFCA forcing a public referendum, even though the prior year's negotiation of the act did not include such a requirement. This same amendment to the LGFCA included an unduly onerous provision that would suspend the obligation of a private cable TV or telephone to pay franchise fees to any local government choosing to provide telecom services in the event a public referendum was not held. This suspension of franchise fee payments would remain in force until the

communications enterprise of the local government paid the same level of franchise fee paid by the private providers over the previous 10 years. The punitive nature of this provision meant that local governments would have to reduce their budgets, perhaps cutting vital services like police and fire protection, if the community wanted to enter the telecommunications arena for the good of its community. This is yet another example of the "unfair" Act, which was supposedly based on the concept of "fairness".

As one can readily see, the incumbent providers have gone to grossly excessive lengths to do all they can to discourage local governments from providing these essential services to their citizens and businesses.

By the time the Louisiana Supreme Court rendered its decision in 2007, almost three years had passed since the city's first announcement of this project in 2004. The political and legal battles brought and promoted by the incumbent telecoms cost the city of Lafayette nearly $4 million. Interestingly enough, Cox Communications, which had been increasing its rates several times a year prior to Lafayette's initial announcement to explore its offering of telecommunications services, decided to freeze its rates in Lafayette between 2004 and 2007. At the same time, Cox continued to increase its rates in other parts of the state. Estimates indicate that Lafayette citizens and businesses saved nearly $4 million due to these deferred cable rate increases, so in a roundabout way Lafayette's citizens saved in reduced cable TV rates the amount the city spent defending itself in this extensive litigation process.

## III. CONTINUED INTIMIDATION BY INCUMBENT TELECOM PROVIDERS

It has been interesting to observe the interplay between BellSouth and Cox, which sometimes resembled a strategy of "good cop/bad cop". For example, BellSouth was clearly the leader in the legislative battle and early lawsuits. Cox would remain quiet for a while and let BellSouth take the public blows, and then suddenly Cox would become the notable aggressor with strategies like push-polls, attempting to poison the minds of the community members being polled in order to get responses that would be against the city's fiber initiative. One member of the community recorded the push-poll he was receiving. One of the questions alluded to the city requirements for lawn watering during dry summer conditions. The question generally was phrased as "Since the city only allows you to water your lawn only three days per week, how do you feel about the city offering you cable TV service where you could only watch television three days per week?" The community member and, ultimately, the out-of-state questioner in this push-poll, are both heard chuckling at the ridiculous nature of the questions.

Since the Supreme Court decision, Cox Communications has made very frequent public records requests and is using other tactics to attempt to undermine Lafayette's market penetration efforts. Cox has increased its rates in the multi-parish area, which includes Lafayette, and is going door-to-door to offer lower customized pricing to regain customers already being served by LUS Fiber. Apparently the notion of "fairness" espoused by the private companies does not include the increasing of rates to customers in non-Lafayette areas who have very few competitive options which allows Cox to use the resultant higher

revenues to offer much lower pricing in Lafayette areas where there is now meaningful competition from LUS Fiber.

In addition, Cox representatives were recently active in attempting to undermine the future of the city's century-old electric, water and sewer utility system. During a recent rate increase effort for these traditional utilities, Cox representatives were lobbying Lafayette council members to oppose the rate increase in order to adversely affect the utility system's future viability. All of these examples indicate an underlying strategy to hurt the city simply because the city voters dared to choose to authorize the building of their own telecommunications system.

Lafayette has observed that intimidating issues with the telephone company virtually ceased after AT&T absorbed BellSouth, but one can only wonder what may lurk ahead.

As long as the LGFCA remains in force, the private telecommunications companies will continue to retaliate against Lafayette's communications initiative in an effort to intimidate Lafayette and its citizens.

## IV. LAFAYETTE DEPLOYS ITS SYSTEM – AND EXCEEDS EXPECTATIONS

Subsequent to the favorable state Supreme Court ruling, Lafayette issued $110.4 million in tax-exempt municipal bonds in June 2007. The city secured the necessary resources to help it engineer the project and bid out certain sections of it for construction. The city added the staff necessary to support this effort. Field construction began in February 2008 and the city established its trade name of "LUS Fiber" and began serving its first customers in February 2009. LUS Fiber offers video, phone and Internet services to

residential and business customers at pricing levels, on average, 20% less than the private companies.

While the provision of these traditional services is necessary to satisfy the financial obligations of LUS Fiber, the primary purpose of this initiative is to build the broadband infrastructure of the future. The gradual convergence of video and phone to the Internet will create a greater demand for significant bandwidth. The LUS Fiber system is designed to offer likely the fastest home and small business Internet speeds in the U.S. today, but more importantly the system can be incrementally upgraded to even faster speeds as the technology continues to mature.

As a result of LUS Fiber's focus to offer superior Internet fees at great value, many consider LUS Fiber's Internet services as its most impressive product offering. Its Internet service offerings are:

| **Residential** | **Commercial** |
|---|---|
| 10 Mbps - $28.95 | 10 Mbps – $64.95 |
| 30 Mbps - $44.95 | 50 Mbps - $119.95 |
| 50 Mbps - $57.95 | 100 Mbps - $199.95 |

Even more significant than these speeds and competitive price points, is the fact that these Internet speeds are symmetrical, which means the same speed for both upload and download. This is in stark contrast to the Internet offerings of most telephone and cable companies where the upload speeds are about 1/10$^{th}$ of the download speeds. A faster upload speed means less time to upload large files, such as video and large data files. In addition, because of the inherently robust nature of a fiber-to the-premise infrastructure,

these Internet speeds are achievable virtually 100% of the time, even during peak usage conditions.

The most notable feature of LUS Fiber's Internet offering, however, is that all of its retail Internet customers receive 100 Mbps peer-to-peer Intranet capacity at no additional charge. This provides a true level playing field for all residents and businesses in the community. While there may be few applications for such high bandwidth today, local medical and other business institutions are already searching out ways to use this bandwidth to provide for better healthcare and more efficient business transactions. The Lafayette initiative has been held up as a model for local governments wanting to improve the future of their communities.

Just this past week a highly successful event was held in Lafayette, bringing in some of the most prominent players in the international broadband arena. The event, Fiber Fête, was hosted by businesses from Lafayette, the Louisiana Economic Development Department, Lafayette Economic Development Authority, LUS Fiber and the Lafayette Consolidated Government. A stated goal of the event was to ignite innovation on how to best use the significant bandwidth being offered by Lafayette.

The turnout at the event by significant players in the broadband world was visible evidence of the enthusiasm expressed by many in the country concerning Lafayette's bold initiative. In attendance were representatives from Google, Harvard University Law School, Cisco, City of Seattle, City of San Francisco, the Ford Foundation and many other visionaries, all intent on discussing the many potential uses of the power of broadband. The event provided an opportunity for local innovators and business leaders to interact with leading global application developers, network builders, venture capitalists, entrepreneurs and policy experts, and on-line business leaders. Fiber Fête effectively created a forum to

discuss specifics of what our connected future can look like in a networked environment. Numerous practical and futuristic ideas emanated from the participants.

With the extraordinary robust capacity being offered by LUS Fiber, health care, hospitals and doctors' offices can now send large X-ray or MRI files to specialists anywhere in the world who can examine and diagnose on the spot, allowing for more responsive and lower cost health care. Through Lafayette's fiber system, students in Lafayette's public classrooms have already participated in a live video conference collaboration with students in San Francisco – the possibilities for future collaborations are endless, either from coast-to-coast or internationally. The oil and gas industry can now transmit large files of seismic information for offshore oil and gas exploration to Houston at lightning speeds. Movie animators producing films can transport them from Lafayette back to Hollywood or New York. Lifelike video conferencing from the home can reduce commuter traffic, and the resulting impacts of highway congestion and corresponding $CO_2$ emissions. The possibilities are virtually endless.

Imagine what Lafayette leaders envisioned in 1896 with the establishment of its own electric system. Chances are they could only see light bulbs and motors as the new inventions of the day. Just like the vast evolution in the uses of electricity, the uses for true high speed broadband (100 Mbps and above) are on the verge of continued evolution. Fiber-connected communities will help small businesses flourish and create more opportunities for creativity and entrepreneurship.

It cannot be stated enough that Lafayette's objectives in this initiative are far more than just providing competitive options for cable TV, phone and Internet. LUS Fiber's service offerings and pricing are what are necessary to bring in the revenue stream to pay for this highway of commerce of the future. All indications are that all these separate

services will converge into one major service – Broadband. One can look at this in the same way as in the various ways to use electrical power – to power air conditioners, televisions, computers, toaster, and the list continues. Yet, there is no "separate power bill" for the services to power each of these devices. Instead, it is simply referred to as electric services, which power an endless number of devices used in home and business. In the case of today's telecom services, it will become simply Broadband as the infrastructure for tomorrow.

As we wrap this concept of broadband around the purpose of this Committee for Small Business and Entrepreneurship, it is easy to imagine a world where broadband access is no longer a limiting factor, but is instead an enabling factor. Significant broadband access to masses allows all citizens and small business an equal footing to innovate, create and develop new applications that can be marketed. It now opens a door, that for too many, has remained shut due to the sleight of hand antics of many private telecom companies who talk the game of broadband but only offer embarrassing low levels of capability.

Lafayette's initiative is to build and operate an infrastructure that offers a "hand up" to those who need the tools to make a better life for themselves and their community, and to pay for that infrastructure through selling popular services to customers.

## V. OTHER RELATED ISSUES

**Digital Divide** - One of the stated visions of LUS Fiber in proposing its communications system was to help bridge the digital divide. With the approximate 20% savings customers could enjoy through LUS Fiber's lower rates for conventional telephone and cable TV services, a home without an Internet connection could now purchase Internet services with those savings. For example, LUS Fiber offers a "Triple Play" of video, Internet and phone

for $85 per month (83 channels of video service, 10 Mbps Internet and local phone service). Many customers, especially those in low-income areas, find this offer attractive.

In a focused effort to address the digital divide, LUS Fiber conducted a survey in conjunction with the University of Louisiana at Lafayette's Department of Sociology, Anthropology, and Child and Family Studies to determine a baseline for broadband penetration rates in the City. The study was developed to achieve maximum comparability with data at the national level. Some questions mirrored those asked by the Pew Internet and American Life Project and the Annenberg's Digital Future Report (USC Annenberg School Center for the Digital Future).

This survey "Internet Use in Lafayette, LA – 2009 Baseline Study" provides a solid reference point that can be used to measure the future effectiveness of the deployment of various LUS Fiber programs and other efforts in our community to bring more of Lafayette's citizens into the digital economy.

Results from the survey concluded that low-income, African American Internet usage falls well below the national averages in the United States. The national average of African American computer use is 66% while Lafayette computer use is 61% and 57% for African Americans and Creoles, respectively. The national average of African American Internet use is 67% while Lafayette Internet use is 51% and 40% for African Americans and Creoles, respectively.

To have expended resources to perform the study is strong evidence that Lafayette's focus is in finding ways to help everyone in the community who aspires to a better way of life.

**BTOP Grant Application** – Leveraging the power of the bandwidth capabilities of LUS Fiber, the Lafayette Consolidated Government applied for several Broadband Technology Opportunities Program (BTOP) grants. Using the survey previously mentioned will provide a solid means to monitor and determine the effectiveness of the deployment of this BTOP grant and other efforts in our community to bring more of Lafayette's citizens into the digital economy. As part of this proposed BTOP application, LUS Fiber would provide free Internet service for two years to graduates of the Build (or Earn)-A-Computer program.

The Lafayette Students Build-A-Computer Program proposes to increase broadband adoption among low-income students by providing training and free computers for graduates of the program. It has already shown success in its early efforts, made possible through local donations of used business computers, and will be able to expand to serve more community need with additional funding. The program is administered through The Heritage School of the Arts & Technology, a non-profit entity which provides volunteers to assist the students to re-purpose these used computers. The Heritage School trains the students in the building and operation of computers.

Through its BTOP grant application, LUS Fiber proposes to provide additional new computers and Internet service. The program will target 1,000 disadvantaged students from low performing schools in the City and provide a total of 35,000 hours of training. The project goal is to educate our youth and increase access to the Internet in our community.

In addition, the Lafayette Consolidated Government has made a BTOP grant application to expand public computing centers in the city libraries and the local low-income housing authority. These expansions will help address the established and expanded demand for public computer access already experienced in the current public computing centers operated by these two entities. LUS Fiber will be the service provider at

all of these locations.

**Smart Grid Investment Grant –** Lafayette Utilities System through Lafayette Consolidated Government applied for and was awarded a Smart Grid Investment Grant through the Department of Energy for $11.63 million. The project is greatly enhanced by the potential availability of fiber to every home and business in the city of Lafayette. Advanced metering infrastructure will be installed including two-way communications via the fiber system. Customers will be able to harness the power of information about their electricity and water use through the customer systems and in-home displays installed. Electric distribution and transmission automation will be possible to automate, monitor and control devices on the grid, all to the benefit of more reliable and cost-effective utilities services. Benefits expected from this program include more stable utility bills, consumer monitoring and control of utility usage, outage management, demand side management reducing system loadings and corresponding green house gas emissions.

## VI. CONCLUSION

Lafayette, Louisiana is an oasis of major broadband connectivity through its successful fiber deployment. This accomplishment has come at a high cost to Lafayette's citizens and associated delays due to the significant impediments placed by private telecom entities, like BellSouth and Cox. It is unfortunate that the national policies of the past have failed to even approach a world-class broadband system. The U.S. continues to lag behind many countries in Europe and Asia. Clearly, major policy changes need to be made in this country that will allow and encourage ALL possible participants in the construction and operation of major broadband infrastructure, preferably a fiber to the premise system.

Lafayette joins with a growing number of communities, citizens and business owners who believe that the answer to the issue of inadequate broadband is to remove limitations and impediments on local governments wishing to make these investments to help move their communities forward. We further believe that such a policy change is of considerable importance to consumer protection and the public interest.

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Madam Chairman, thank you again for inviting me to testify. Lafayette appreciates this opportunity to help it help its small businesses, entrepreneurs and residential customers.

Chair LANDRIEU. Thank you very much, and I am glad that you are here to testify, and I wanted you to be because I know this is a very controversial issue that has come before the Commerce Department particularly. I think these views are important to be heard by small businesses that may be in towns that have municipal providers as this debate goes on to have a voice at the table to see how we work through it. We are extremely proud, actually I am, of Lafayette for being one of the first parishes in the whole country to have virtually universal high-speed service. How you got there is a different subject, but the results are, you know, very impressive, and I want to thank you for being here.

Mr. Gerke.

**STATEMENT OF THOMAS A. GERKE, EXECUTIVE VICE CHAIRMAN, CENTURYLINK**

Mr. GERKE. Good morning, Madam Chair, Ranking Member Snowe, and members of the Committee. Thanks for the opportunity to testify today on these Federal efforts to expand broadband across America for all of our small businesses.

CenturyLink is one of the nation's leading rural providers of voice, broadband, data, and video services with about 7.2 million customers spread across 33 States. Small businesses and entrepreneurs are an important part of our past, our present, and our future. In fact, CenturyLink began as a small business in rural northeast Louisiana. In 1930, our founders, Clarke and Marie Williams, bought a small family telephone business for $500, with just 75 paid subscribers and a switchboard set up in their front parlor. Today, of course, we have a national footprint operating in hundreds of rural communities, but our core values and our commitment to service, including service to small businesses, has not wavered.

CenturyLink serves over 414,000 small businesses, including nearly 12,000 in Louisiana alone. We understand how important broadband is to small businesses, especially in rural communities, where it is a central component of economic development and reach.

As just one example, a small tree nursery that we serve in rural central Louisiana was able to extend its sales from a purely local market into a much larger multi-state region, growing the business, bringing economic development and jobs to the community.

Just as traditional phone service was critical to linking to the rest of the world, in today's environment broadband is now the key enabler for communications, entertainment, and commerce.

The National Broadband Plan sets out an important framework for reforming Federal policies and regulations that impact both the availability and affordability of broadband. We appreciate Chair Landrieu's leadership in highlighting the need for the plan to focus on small businesses, especially in rural areas.

For small businesses in rural communities, perhaps the most important recommendation in the National Broadband Plan is to reform universal service and intercarrier compensation. Both issues have a tremendous impact on the economic case for bringing broadband to rural communities, especially because all telecom providers rely on rural carriers, carriers of last resort like

CenturyLink, to carry voice and data traffic in the sparsely populated areas where cable and wireless competitors often do not serve.

Universal service and intercarrier comp payments deliver the support necessary for carriers to provide service quality and rates comparable to those in large urban areas. This is one of the key mechanisms that helps keep broadband and other services affordable for small businesses.

As the nation focuses on broadband deployment, we believe our fiber-rich core wireline networks offer the best, fastest, and most economical hope to meet the rapidly increasing demands of small businesses. As the FCC considers its open Internet proceedings, we urge its leaders to work closely with broadband providers and companies that have committed to continue providing a positive Internet experience. We urge the FCC and Congress to avoid a heavy-handed regulatory approach that would impose legacy voice telephone regulations on modern networks.

In summary, I am pleased to share with you last week our announcement of the actual of Qwest. We believe this combination is an important, positive transaction not only for consumers but also for the small businesses. The combined networks offer incredible potential to accelerate deployment and improve broadband services. Our goal is to provide the highest quality and affordable voice and broadband services for our customers. We trust the members of this Committee and the FCC will see the strong public interest benefits of this merger, its great potential, and join us in gaining the necessary state and federal approvals as promptly as possible.

We look forward to your questions.

[The prepared statement of Mr. Gerke follows:]

**Testimony of Thomas A. Gerke**
**Executive Vice Chairman, CenturyLink**

**Before the**
**U.S. Senate Committee on Small Business and Entrepreneurship**
**April 27, 2010**

**Connecting Main Street to the World:**
**Federal Efforts to Expand Small Business Internet Access**

Good morning Madam Chair, Ranking Member Snowe, and members of the Committee. Thank you for the opportunity to testify today on federal efforts to expand broadband Internet access for America's small businesses. The importance of this committee's work on behalf of small business owners cannot be understated - especially as it relates to connectivity in a global economy.

**About CenturyLink**

CenturyLink is a national telecommunications provider with a true local focus in the markets we serve. We are the nation's leading rural provider of voice and Internet services, with approximately 7.2 million customers in 33 states. We offer high-quality local and long distance telephone, high-speed Internet, video, and other services, including IPTV, over advanced networks.

Small businesses and entrepreneurs are an important part of CenturyLink's past, present and future. In fact, you could say we are ourselves a small business success story. CenturyLink began as a small business in the rural northeast Louisiana community of Oak Ridge. In 1930, our founders, Clarke and Marie Williams, bought a small family telephone business for $500 -- less than the price of a typical new car back then. There were just 75 paid subscribers, and the switchboard was set up in the Williams' front parlor so the family could handle calls 24 hours a day. Marie Williams wrote out bills by hand, and their eight-year old son Clarke McRae Williams delivered them on his bicycle.

Clarke M. Williams went on to grow the company over many years by acquiring other small rural telephone companies in surrounding states. The timeline of our growth covers several decades now and is too lengthy to cover today. However, within the past 10 years, the

acquisitions have become larger and our footprint more expansive nationally, but our core values and commitment to service have not wavered.

Today, we are fortunate to be one of the largest local telecommunications company in the United States, and the largest such company primarily focused on deploying broadband in rural areas. As many of you know, just last week CenturyLink announced its intent to acquire and merge with Qwest, important news I will address later in my testimony. For now, let me say that our service territory extends from the Pacific Northwest to the Florida Everglades, and from northern Minnesota to the plains of Texas. In our rural areas and small towns, we serve many small businesses. They are very important to our success, and we genuinely value the small business customer.

Even as CenturyLink has grown, it has strived to maintain its commitment to Louisiana. The company has appreciated the support of our community and the leadership of our federal delegations in all the local markets we serve.

**The Importance of Broadband**

CenturyLink serves over 414,000 small businesses nationally, including over 12,000 in Louisiana alone. In fact over 90 percent of our business customers are small businesses with fewer than 100 employees. Among our small business customers, the most in-demand broadband product is a 3 Mbps connection, although we expect that to grow sharply in the coming years as more and more business shifts to the online environment.

We understand that broadband is very important to small business, especially broadband availability in rural communities, where it is a central component to economic reach and development. We have seen what broadband connectivity can do to expand the reach of small businesses, to open economic opportunities, to create jobs and to revitalize small towns and rural communities. In just one example, thanks to CenturyLink's broadband service, a small nursery in rural central Louisiana was able to extend its sales from a purely local market into several states, growing the business and bringing its community new employment and economic opportunity that before had seemed out of reach. Just as traditional telephone service was a critical link to the rest of the world for the previous generation, broadband is now the key enabler for communications, entertainment and commerce for today.

CenturyLink

**The National Broadband Plan**

The National Broadband Plan sets out an important framework for reforming federal policies and regulations -- policies and regulations that impact both the availability and affordability of broadband. We appreciate Chair Landrieu's leadership in highlighting the need to focus on small businesses in the National Broadband Plan, particularly in rural areas.

A key recommendation in the National Broadband Plan is reform of universal service and intercarrier compensation. Both issues have a tremendous impact on the economic case for bringing broadband to rural communities. One important thing for policymakers to keep in mind is that all telecom providers rely on the networks of other providers to originate and terminate voice and data traffic. Additionally, companies like CenturyLink serve as carriers of last resort, which means we have a regulated obligation to serve areas where most of our cable and wireless competitors do not. The cost of serving such markets is high and the population density is very low.

We provide service to rural residents and businesses -- including thousands of small businesses -- at rates that are below the actual cost required to provide the service. Universal service and intercarrier compensation payments deliver the support necessary to provide network and voice service in these areas. They allow carriers to provide service quality and rates reasonably comparable to large urban areas. Today, however, we all face intense competition -- from other providers and other technologies -- even as we move quickly to transform our voice networks into broadband-capable networks that deliver the advanced services. That makes reform of the current rules appropriate and timely.

The National Broadband Plan also rightly recognizes that private capital is key to broadband deployment. Deploying a broadband network is hugely expensive, and broadband providers must invest in their networks continuously just to keep up with growing bandwidth demand. In Louisiana alone, CenturyLink has invested almost $900 million in network and other infrastructure that will be needed for data-intensive network traffic. In larger states that investment is in the billions. The plan notes that simply deploying broadband networks to reach every American could cost $350 billion or more. Private investment built today's voice and broadband networks, and private investment is the fastest and certainly the most efficient way to expand America's broadband networks. We also believe that our fiber-rich, core wireline networks offer the best and fastest hope to meet the rapidly increasing demands of small business owners for speed and reliability in their broadband services.

As the FCC considers its "open Internet" proceeding, we urge its leaders to work closely with broadband providers and companies that have committed to continue providing a positive Internet experience. We urge the FCC -- and Congress -- to avoid a heavy-handed regulatory approach that would impose legacy voice telephone regulations on modern broadband networks. This is key to ensure that no one class of provider is subject to heavier regulation than its competitors. Outdated or lopsided regulation serves only to increase costs, limit legitimate business opportunities, and discourage investment. That investment is critical if America is to expand broadband service availability and bandwidth speeds for all small businesses.

**Broadband Stimulus Programs**

CenturyLink appreciates the ARRA's goal of bringing broadband to unserved and underserved areas and Senator Landrieu's leadership in focusing the attention of NTIA and RUS on the broadband needs of small business, especially in rural America. Appropriately implemented, stimulus programs can help make broadband investment viable in areas where it would otherwise be uneconomic. Programs to stimulate demand and promote adoption certainly have benefits, especially in economically distressed communities. In fact, boosting the "take rate" for broadband can improve the business case for investing in a more robust network.

Programs to promote infrastructure deployment are far more challenging to implement, as NTIA and RUS know first-hand. The challenge is to identify those places where economic realities make broadband deployment uneconomic without public incentives, without undermining the economics of existing providers or diminishing the viability of adjacent areas. Done right, stimulus awards can justify deployment or upgrades in low-density areas where such investment is otherwise uneconomic. But if they subsidize overbuilding of existing networks or take away anchor institutions that were already anchoring private investment, they undermine the competitive market and render existing and adjacent areas nonviable for broadband network investment.

Like many major broadband providers, we concluded participating in the NTIA and RUS programs was not a viable option for us at this time. We determined after much deliberation that our focus must instead be on the successful integration of Embarq and focusing on our ongoing broadband deployment program which we believe is highly aggressive. CenturyLink has reached an overall availability for approximately 90 percent of our 7 million customers. However, we do envision playing a role in the stimulus funding process. Our company is working with many named and pending grant applicants in multiple states as a possible vendor or contractor to assist them with completing their proposed projects.

CenturyLink

Providing broadband requires a huge and ongoing investment. As you know, bandwidth demand is growing almost exponentially. Simply to maintain existing levels of service requires nonstop investment in capacity upgrades and the latest technology. In rural areas, overbuilding or doing the equivalent of building bridges next to bridges can make it impossible to justify those ongoing upgrades, and consequently can condemn rural customers to slower speeds. From a trending standpoint, we have seen an unusually high number of applications in Round 1 that essentially overbuild existing broadband infrastructure in rural and urban markets versus a focus on providing broadband to those currently unserved. We hope both agencies will continue to recognize the potential long-term negative outcomes resulting from overbuilding as they evaluate applications in Round 2.

**Our Merger with Qwest**

In closing, I am pleased to share with you that last week, the boards of CenturyLink and Qwest approved the purchase of Qwest by CenturyLink and the merger of the two companies. We believe this is an important and positive transaction not only for our consumers and small business customers, but also for the future of advanced telecommunications services in our country. The combined CenturyLink and Qwest networks offer incredible potential to both accelerate deployment and improve broadband services in a multitude of urban and rural markets from coast to coast, and the 173,000 mile fiber network will enhance our ability to provide broadband in hundreds of communities.

Our goal is to provide the highest quality voice and broadband services for our customers -- including the small businesses that are the backbone of our economy and the lifeblood of our small towns and rural communities. We trust members of this committee and the FCC will see the strong public interest benefits of this merger and the great potential it holds for small business owners and entrepreneurs and join us in gaining the necessary state and federal approvals as quickly as possible.

CenturyLink has grown from a family's front parlor to what will be a leading national broadband and wireline voice provider. This transformation shows the potential of every small business entrepreneur, regardless of where they choose to live and work. It helps illustrate the importance of policies that promote broadband investment and quality service.

Thank you again for convening this important hearing and I look forward to your questions.

Chair LANDRIEU. Thank you.
Mr. Friedman.

**STATEMENT OF STEVE FRIEDMAN, CHIEF OPERATING OFFICER OF WAVE BROADBAND AND CHAIRMAN, AMERICAN CABLE ASSOCIATION**

Mr. FRIEDMAN. Thank you. As an association representing small and medium-sized independent cable operators, we bring a unique perspective on the broadband marketplace. Our members have historically served communities where the "big guys" find it unattractive to serve, ranging from rural parishes in Louisiana to more urban and suburban markets in all 50 States.

Today cable offers access to high-speed broadband service to 95 percent of the country, the vast majority of which receives speeds of at least three megabits per second, faster than most DSL providers.

As a result, small businesses are increasingly turning to cable for broadband. Cable is the best technology in the ground today to meet the administration's goals of delivering 100 meg broadband speed to all. With the advent of DOCSIS 3.0, cable operators can deliver these speeds over their existing cable network without the need for Government funding.

However, still has an important role to play. ACA recommends that Congress and the FCC address four items.

First, many focus on the need to upgrade last-mile infrastructure, the final network connection to the user; however, more attention needs to be paid to the middle mile, that part of the network that runs between a broadband provider's system and the Internet backbone. For ACA members, the middle-mile links available are often high-cost, low-capacity pipes creating a bottleneck that slows data speeds to our customers. ACA members have considered constructing their own middle-mile links, but the construction is cost prohibitive. We are pleased by the NTIA's focus on the middle mile in the second round and the FCC's focus on the issue in the National Broadband Plan. The key now is to ensure the FCC acts quickly on its recommendations.

Second, for a smaller cable operator with limited network capacity to provide DOCSIS 3.0 speeds, the provider must come up with additional bandwidth. For many operators, the most cost-effective way of doing this is by transitioning analog channels to digital. To ensure that cable operators' subscribers do not lose access to the new digital programming, the cable operator must provide a digital set-top box for each of its subscribers' TVs. ACA is pleased that the FCC recently recognized the benefits of allowing smaller operators to purchase and deploy low-cost, low-functionality HD set-top boxes. This modification will free up channel capacity needed to offer customers broadband speeds of up to 100——

Chair LANDRIEU. If you could just wrap up in 30 seconds.

Mr. FRIEDMAN. Okay. Finally, we support the administration's goals of providing more broadband services to consumers in populated areas of the country. However, we are disappointed that RUS and NTIA have funded projects in the first round that would overbuild ACA members and others who have already invested private capital to deploy broadband in their communities.

On behalf of ACA, we appreciate what Congress, the FCC, and the funding agencies are doing to support broadband expansion and growth in smaller markets and rural areas.

Thank you for your time and attention, and I welcome your questions.

[The prepared statement of Mr. Friedman follows:]

**Prepared Statement of**
**Steve Friedman**
**Chief Operating Officer of Wave Broadband**
**Chairman of the American Cable Association**

**Before the**
**U.S. Senate Committee on Small Business & Entrepreneurship**

**Hearing on**
**"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"**

**April 27, 2010**

Thank you, Chairwoman Landrieu and Members of the Committee. It is a great honor and a privilege for me to be here before this Committee to tell you about the investment in broadband being made by my independent company as well as the members of the American Cable Association (ACA).

My name is Steve Friedman, and I am the Chief Operating Officer of Wave Broadband and Chairman of the ACA. ACA represents nearly 900 small and medium-sized cable companies providing advanced video, telephone service, and, most importantly, high-speed broadband Internet access to more than 7 million customers in predominantly rural and smaller markets in every state.

My company, Wave Broadband, is a cable, Internet and phone services company currently serving more than 175,000 customers in Washington, Oregon and California. Headquartered in Kirkland, Washington, we employ more than 600 individuals. Wave also provides business-class Internet, phone and cable service to companies of all sizes, from Seattle to San Francisco.

The communities we serve vary from suburban to rural areas and are unique from large urban providers who, like other ACA members, pass fewer homes per mile with plant necessary to serve our customers. This increases the cost to construct and upgrade our systems and to operate them on an ongoing basis. Wave has built a broadband company that is designed to offer our customers the services they expect, including digital and HD video services, phone, and, of course, high-speed Internet. Our Internet services offer our customers speeds up to 50 Mbps. We did this by ensuring every Wave system is fully upgraded and has sufficient capacity to ensure these speeds from our customer's home or business, through our last- and middle-mile, until they reach the Internet. We accomplished this by investing in the fiber network expansion and coaxial network upgrades necessary to deliver these services.

As an association representing small and medium-sized independent cable operators, we have a unique perspective on the broadband marketplace. Our members have historically

invested in communities where the "big guys" find it unattractive to provide service, ranging from rural places like Calcasieu Parish, Louisiana, to more urban and suburban markets in all 50 states. Our members' networks are being used today to connect small businesses in rural America to the world via the Internet. And to date, small cable operators have built these networks and provided these services to residential and small business without any direct federal subsidy.

I appreciate the opportunity today to share with you ACA's perspective on connecting main street to the world, both with regard to private investment, and suggestions on actions by Congress, the FCC, and other federal agencies that would help further our efforts.

**The Small Cable Industry is Well Situated to Provide 100 Mbps Broadband Service to its Customers**

In its earliest days, small cable operators were entrepreneurs who invested private funds to bring the latest communications services to their communities. At the time, cable operators pioneered the delivery of broadcast stations to consumers who couldn't receive these signals over-the-air. My family was one of those pioneers. In later years, smaller cable providers helped increase consumer access to vital news and other local information by offering cable networks, such as CNN and C-SPAN, in their communities. All of this was accomplished by independent businessmen who did not receive operating subsidies from the government.

Beginning about 15 years ago, smaller cable operators once again made significant private investment in their infrastructure, upgrading their distribution networks in order to begin offering their customers various digital services. These upgrades provided hundreds of channels and crisper television pictures. The underlying technology later allowed for the launch of other advanced services, such as High Definition TV services, video-on-demand, competitive phone, and – most important for this discussion – broadband.

In hindsight, the small cable industry's need to reinvest its private capital to rebuild its infrastructure to provide the advanced services of today may seem obvious. However, at the time the return on the investment was far from certain. Smaller cable operators took a chance on the potential of broadband, and it paid off for the consumers and the communities they served.

"Indeed, cable may be one of the only businesses to ever build out an infrastructure and then completely rebuild it for a product that is likely to challenge, if not replace, the product for which the original infrastructure was built," said Federal Communications Commission Omnibus Broadband Initiative Executive Director Blair Levin, speaking at our association's conference on April 20, 2010.

Today the vast majority of the country can receive broadband services from cable operators. High-speed broadband service from a cable operator is available to 92% of

businesses across the country – the majority of which experience speeds of at least 3 Mpbs. Through private investment, ACA members have been meeting the needs of small businesses and households in smaller markets and rural areas.

And because of cable's private investment years ago, cable is now well-positioned to provide even better service in the future. With the advent of DOCSIS 3.0, a technology standard developed by the cable industry which allows for high-speed data transfer over the coaxial infrastructure, cable operators can deliver speeds as fast as 100 Mbps to businesses and consumers. Doing so requires two primary components: A DOCSIS 3.0 cable modem located at the customer's facility, and upgrades at the cable TV head-end, where video, phone, and broadband signals are processed.

What does this all mean? It means that small cable operators are poised to deliver on the goal of President Obama and Federal Communications Commission Chairman Julius Genachowski to deliver 100 Mbps speeds to 92% of small and large businesses without the need for extensive government spending. With existing last-mile infrastructure and the new DOCSIS 3.0 standard, cable can continue to lead the way in providing the services that are needed to small businesses in rural areas, including high-speed access, and they can and will do it through private investment.

Having said that, I'm not suggesting there won't be hurdles and the need for some government help. There is an important role for Congress, the FCC, and the Administration to play in encouraging deployment of broadband in areas without cable last-mile infrastructure, and to help areas that lack sufficient middle-mile capacity or access to middle-mile services at reasonable costs, and in ensuring the costs of the services remain affordable. ACA believes that the government can and should act by:

- Increasing the Availability of Low-Cost, High-Capacity Middle-Mile Infrastructure
- Updating the Set-Top Box Rules to Restart the Cable Industry's Digital Transition
- Reforming the Pole Attachment Rules to Lower Broadband Costs and Continue Expansion
- Prohibiting BIP and BTOP Funding From Going to Areas Already Served; and
- Ensuring that Government-Funded Broadband Deployment Programs Are Technology- and Industry-Neutral

**Small Cable Operators Need Access to Low-Cost, High-Capacity Middle-Mile Infrastructure**

Over the years, ACA has demonstrated that the issues and challenges facing rural areas and the small cable operators that serve them are substantially different from the issues and concerns facing urban areas and companies the size of Comcast Corporation and Time Warner Cable.

As we talk about broadband, that distinction becomes even more critical.

Although many focus exclusively on the need to upgrade the Internet communications path that enters the home and office, ACA has attempted to draw attention to the middle-mile – the part of the network that runs between a cable broadband provider's central office and an access point to the Internet's backbone.

Why is funding for middle-mile infrastructure projects so crucial?

ACA members have already upgraded their local networks, providing consumers with much faster broadband speeds. But in many instances, because our networks are often outside core urban areas, today's middle-mile links are very expensive, low-capacity facilities that effectively slow data speeds between what the local cable network can supply and what is actually delivered to or received from the Internet backbone. In other words, our members and their broadband customers face major data checkpoints because middle-mile network providers have failed to invest adequately in these facilities. This further harms the ability of our communities to stimulate business activity and create jobs.

Upgrading these middle-mile links would help address these concerns and would take advantage of the investment already made in the local communities by facilitating build-out without showing preference to a last-mile provider. It will also bring down the costs to provide higher speeds to businesses and households in these more rural areas.

ACA members have considered constructing their own middle-mile links, but because the distance between those two points can be many miles, if not counties apart, most of them simply cannot do so in a fiscally prudent manner. Instead, we need to find ways to encourage current and prospective middle-mile providers to deploy new facilities.

The NTIA's focus in the Broadband Technology Opportunities Program (BTOP) on middle-mile is encouraging. But, certainly, NTIA's efforts, while significant, are only a small step. We are thus heartened by the FCC's focus on this issue in the National Broadband Plan. A key now is to ensure that the FCC expeditiously follows through and implements the proposals set forth in the National Broadband Plan.

**Smaller Operators need the FCC to Update the Set-Top Box Rules to Restart the Cable Digital Transition**

Set-top box rules requiring separable security have a negative impact on the development of greater broadband speeds in small systems.

In order for a smaller cable operator with a channel capacity constrained system to provide faster broadband, the provider must come up with additional bandwidth in its headend. For many operators, the most cost-effective way to accomplish this goal is by transitioning their analog channels to digital. However, in order to ensure that cable subscribers do not lose access to the programming that is converted to digital, the cable operator must provide a digital set-top box for each of its subscribers' televisions.

After the ban on integrated set-top boxes was imposed by the FCC nearly three years ago, the price of a set-top box that allows for the delivery of digital programming rose dramatically compared to the non-separable security boxes available before the rule. As a result, many smaller cable operators could no longer afford to continue their transition to digital, or pursue the transition to all-digital video as an option, and therefore could not free up bandwidth for broadband and other advanced services.

If relieved from the financially onerous set-top box rules imposed by the FCC in 2007, smaller cable operators could free up bandwidth in their systems in a cost-effective manner and provide their customers with faster broadband speeds. After advocating for changes in the rules over the past few years, ACA was pleased that the FCC recognized the consumer benefits of such a policy change in its Further Notice of Proposed Rulemaking adopted on April 21.

We are also pleased that the FCC has recognized the hardship that its cable set-top box rules has caused smaller operators and has tentatively concluded that granting smaller operators the opportunity to purchase low-cost, low-functionality HD set-top boxes would permit smaller cable operators to transition to all-digital systems in an affordable manner. Once these operators can free-up channel capacity, they can continue their upgrades to DOCSIS 3.0 and supply customers with stunningly fast broadband speeds of up to 100 Mbps. We hope that the FCC will vote on this rule change by year's end.

**Pole Attachment Reform is Necessary for Affordable Service and Continued Expansion**

The cooperative and municipal exemption contained in the Federal Pole Attachment Act of 1978 is a barrier to the deployment and expansion of broadband and other services by small cable operators, particularly those in smaller markets and rural areas. The high pole attachment rates demanded by cooperatives and municipalities affect both expansion and the cost of services. ACA applauds the FCC for recommending to Congress in its National Broadband Plan that the 32-year old exemption be eliminated.

While cooperatives and municipalities – whose pole attachments are not regulated – claim their fees are based on actual costs, smaller operators too often find the true cost-based rate would be significantly lower. In fact, smaller operators find that many times the charges are far in excess of the pole attachment rates charged by investor-owned utilities that are subject to the FCC pole attachment rules. For more than 30 years, the FCC and many state commissions that regulate pole attachments have used a cable-rate methodology designed to fully compensate pole owners for the use of their property. However, in many instances, the rates charged by unregulated pole attachment owners are dramatically higher than the rates determined using this formula, which the courts have found to be fully compensatory. Because, there is no difference in the poles, and no difference in the administration and maintenance of them – the obvious reason for the difference in fees is that investor-owned utilities are regulated, while the cooperatives and municipalities are unregulated and free to charge whatever they like for the vital resource they control.

In recent years, some cooperatives and municipalities have also become broadband competitors to smaller cable operators, giving them an added anticompetitive incentive to artificially inflate pole attachment rates. Any asserted justification for treating these entities differently from investor-owned utilities has faded in the more than 30 years since the exemption was put into place.

Smaller operators are often both resource-limited and heavily reliant on pole attachments. Aerial or overhead construction to expand broadband to unserved homes requires utilizing existing poles or obtaining rights to attach to poles, as underground construction is at least three times more expensive. Since independent operators serve less dense areas, or fewer homes per mile, their costs per customer for pole attachments are noticeably higher. This makes construction costs higher and ongoing operating costs greater, in order to deploy broadband or offer faster broadband speeds. Independent operators cannot afford to absorb the rate increases, and therefore must either pass along these costs to their customers or put in less money toward reinvesting in these system upgrades. This situation ensures that the costs of broadband is unnecessarily high, and must be remedied.

ACA praises the FCC for suggesting that Congress eliminate the exemption for cooperatives and municipalities with regard to pole attachments to bring fairness back to the market for consumers and competition. Pole attachment reform is one of the most critical pieces necessary to carry out the goals of the National Broadband Plan, and we encourage Congress to take action as requested by the FCC.

**BIP and BTOP Money Should be Directed to Unserved Areas First**

ACA supports the Administration's goals of providing more broadband services to consumers in sparsely populated areas of the country through the Rural Utilities Service (RUS) and the National Telecommunications and Information Administration (NTIA). However, we were particularly disappointed to discover that the agencies' funded projects in the first round that would overbuild ACA members and others who had already invested private capital to deploy broadband in their communities. These members providing high-speed broadband services are now faced with competing against governmentally subsidized entities.

As small companies ourselves, we see this is less as an issue of "serving businesses with broadband," than as one of small businesses being hurt by well-intentioned, yet poorly developed and implemented government policies. I would be remiss if I didn't take this opportunity to raise these concerns to you and the members of this Committee, which is the watchdog of small business concerns.

ACA supported the RUS's Broadband Investment Program (BIP) despite its longstanding concerns regarding the administration of the RUS's Rural Broadband Access Loan and Loan Guarantee Program ("Loan Program"), which had directed money towards new entrants in communities that already had broadband service rather than giving priority to applicants in truly unserved communities. We were optimistic that the RUS's BIP would be run differently

from the loan program after hearing the words of U.S. Department of Agriculture Secretary Vilsack when he said, "It's important for folks to give us an opportunity to prove that past mistakes are in the past and corrected and that we will do a more progressive job to make sure people who need broadband service will get it."[1]

Therefore, it is with great disappointment that we now learn from our members that loans and grants from RUS's BIP are being awarded in areas that are already sufficiently served with broadband. Two specific examples of such RUS BIP funding in Hays, KS and Vinton/Moss Bluff, LA highlight this problem:

- On January 25, 2010, Rural Telephone Service Company (RTSC) received a $101 million RUS award, which will be used in part to provide additional broadband services in Hays, KS, an area that already receives such services from employee-owned Eagle Communications and numerous other local providers. In the past few years, Eagle Communications has invested more than $20 million in private capital to upgrade and provide these services, which include broadband speeds for residential customers up to 10 Mbps, and speeds for business customers up to 100 Mbps. The $101 million RUS award to RTSC endangers Eagle Communications, and threatens the 277 individuals who work for the company.

- Likewise, on February 17, 2010, the RUS awarded $33.2 million to LBH, LLC (LBH), to deploy broadband in and around Vinton/Moss Bluff, LA, an area already served by James Cable, a small cable operator. James Cable, which locally employs 21 people, had invested more than $7.5 million in the area in recent years, and the homes and businesses of Vinton/Moss Bluff today are able to receive broadband speeds up to 8 Mbps. James Cable also planned to offer residential and enterprise phone service this year. Despite submitting a formal response to LBH's application at the RUS last year showing where James Cable's broadband service was available, the agency awarded LBH with tens of millions of dollars to provide service in an area already adequately served.

This problem has occurred with NTIA funding as well:

- On March 25, Zito Media Communications II, LLC (Zito) received a $6.1 million NTIA award, which will be used in part to provide additional broadband middle-mile fiber facilities in Northeastern Ohio and Northwestern Pennsylvania. In addition to already providing a high-speed network in part of the project's area, ACA member Armstrong also uses that network to provide broadband service to nearly 40,000 homes in Crawford County, PA. Armstrong has made available 10 Mbps to its Internet customers, and will soon offer a 50-Mbps service. Funding a new network in this area would not make broadband available in areas where it is needed most. It is important to also note that Armstrong provides broadband service to 110 hospitals and medical facilities, 60

[1] Washington Post; February 12, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/02/11/AR2009021103832.html

government offices, 70 schools, 47 police and fire stations, and eight libraries in Zito's proposed service area. These numbers represent far more anchor institutions than Zito indicated existed in the entire proposed funded service area. Even more disappointing was the fact that it appears Zito was contacting Armstrong's customers when they learned that a broadband stimulus award was forthcoming to get them to switch to Zito when its network is complete.

In light of the above, we believe that the RUS and NTIA must take additional steps right away to ensure that funds are neither loaned nor granted to any applicant who would spend the money to build last-mile or middle-mile infrastructure in an area already served by a wireline broadband operator. The RUS and NTIA should immediately review and modify all proposals of all first-round awardees to ensure that no funding will be used to overbuild existing Internet access providers – particularly the three instances above – and then concentrate in the second round on providing loans and grants to the truly unserved areas of the country.

**Broadband Deployment Programs Must be Technology- and Industry-Neutral**

The RUS and NTIA promulgated rules that lack balance and fairness, so much so that it would not be an exaggeration to say that the rules have effectively excluded small cable operators from meaningful participation in the broadband stimulus programs. Such an outcome is neither good for ACA members, nor the millions of Americans on the wrong side of the digital divide in the areas they serve.

As they stand today, the rules applicable to second-round broadband stimulus funding appear to advantage certain segments of the telecommunications industry over small cable operators interested in obtaining broadband infrastructure loans and grants for last-mile broadband deployment. ACA is disappointed that NTIA and RUS have structurally modified the second-round rules for broadband stimulus funding in a way that makes it harder for small cable providers to receive last-mile funding. Moreover, the rules seem to favor every entity except small cable operators, who are ideal candidates to deliver state-of-the-art broadband facilities to rural and remote communities. This is particularly troublesome considering reports that small telephone companies collected $250 million of the $310 million awarded by RUS in first-round broadband stimulus funding – more than 80% of the total awarded.

After a careful review of the separate RUS and NTIA NOFAs that were released on January 15, 2010, ACA discovered that the RUS made various adjustments to its second-round funding rules that tilted in favor of rural telephone and satellite companies to a degree that gives them a decided advantage over smaller cable operators that decide to apply for last-mile grants and loans. For instance, RUS opted to increase the number of points (from five to eight ) out of 100 automatically awarded to applicants that have previously borrowed funds under Title II of the Rural Electric Act of 1936, which are overwhelmingly traditional telephone companies. Thus, traditional cable providers are placed at an automatic eight-point disadvantage over such companies merely because the cable companies built their systems

through private investment rather than with government subsidized money. Moreover, RUS plans to set aside $100 million in grants specifically for satellite broadband targeted at rural unserved areas – areas that might be targeted by small cable operators for the build-out of wireline broadband.

The decision to bolster incumbent RUS borrowers has taken on greater urgency because NTIA states that the majority of its allotted $2.6 billion in second-round broadband grants will go to middle-mile focused projects, while the RUS's $2.2 billion in grants and loans will mostly go toward last-mile infrastructure projects. If the first round of funding is any indication, competition for the funds will be fierce, with the amount requested far exceeding the amount of funds available. ACA, which has maintained all along that a five-point preference was excessive and suggested a lower preference be given in commenting on the plan, is perplexed as to why RUS would make matters worse by increasing that amount to eight points.

In our new era of open government, we hope that future government programs would be designed in a more technology- and industry-neutral manner that would not disadvantage small cable operators. Favoritism and disparate regulatory treatment are not a formula for success.

**Conclusion**

On behalf of ACA and my company, we appreciate what Congress, the FCC, and the funding agencies are doing to support broadband expansion and growth in smaller markets and rural areas. We support you and pledge to be beside you in this effort.

Our hope is that reasonable revisions to existing statutes, FCC regulations, and the BTOP and BIP rules as outlined here will promote even greater private investment, and ensure that where federal funds are spent on broadband, they are spent in a cost-efficient way in areas that are truly unserved.

Thank you for your attention, and I would be pleased to answer your questions.

Chair LANDRIEU. Thank you.

Senator Snowe.

Senator SNOWE. Thank you. Thank you all very much for your excellent testimony on what is a very complex subject, depending on your perspective and vantage points, so it is important for us to get it right as we continue to spend the billions of dollars that are already embedded in the stimulus plan, for example, and going forward, the FCC's National Broadband Plan.

Senator Smith, I will start with you and then move to Congressman Largent. On the question of spectrum allocation—because I think that is obviously a crucial issue that unfortunately I did not get to this morning with the FCC Chairman. Obviously, your association prefers it to be a voluntary approach, so exactly how do you think we should implement the spectrum allocation in terms of using vacant broadcast channels? Is that one way of being able to accomplish that goal? Are there innovative ways of leveraging many possibilities without going the route that is being proposed and suggested under the FCC's plan?

Mr. SMITH. Senator Snowe, one of two things can happen to make sure this does not become compulsory. But first it has to be recognized that broadcasting is a highly efficient use of spectrum. It is one to everyone. Broadband is one to one, and it is spectrum hogging. To utilize their space more effectively, they just simply have to invest the capital to make these connections, these last-mile connections. That can be done without invading the essential services of broadcasting to the American people and take away the promise of multi-casting, HD, 3–D, all of these things that we think are valuable to the American people still so it is not a choice of one or the other. So they can either build it out and use their space more effectively, or give broadcasters your blessing to utilize that space and lease it to those who want to be in the broadband business. Either way, that will satisfy most of the land mass of America.

Where you run into problems is in big urban centers where there is a shortage.

Senator SNOWE. And do you think the spectrum inventory legislation that Senator Kerry and I have introduced will be one way of determining how the existing spectrum is being used and by whom and so forth? Do you think that should be first or is it possible to have it occur simultaneously? It is going to take multiple years and also determine how we should reallocate.

Mr. SMITH. Well, given the importance of broadband and broadcast to the American people, it does seem to me that the inventory ought to occur first so that you decisionmakers in the Congress have actually the facts as to what is being used and what is not, what space is being occupied and serving the American people and what could be obtained.

But, again, the broadband space, if they invest the capital, triple the number of the towers, you are going to fix most of the problem that is out there.

Senator SNOWE. Congressman Largent, to this point, how much spectrum does your membership believe you need?

Mr. LARGENT. Well, we made a filing at the FCC for 800 megahertz, and that was based upon some information that we had got-

ten, what other countries are doing, how they are allocating spectrum for wireless purposes in their space. And the interesting thing is that in most other countries, they do not have nearly the number of competitors that we have in this country. In the wireless industry, there is a lot of competition, and so that divides up the spectrum even more so.

But we think that there is spectrum that is available, you know, whether it is broadcasters or satellite or other spectrum, it has already been lined up to be auctioned. But we are just saying that we need the spectrum brought to auction as quickly as possible. The thing is that the last two auctions that have occurred at the FCC in the last 3 or 4 years, that spectrum took somewhere between 10 and 14 years from the time it was identified to the time it was auctioned. And we cannot afford to wait for spectrum to be auctioned, you know, 10 or 14 years in order to keep up with the pace of competition that we have in this country.

Senator SNOWE. Well, do you think that it is going to be important for all industries to be working together to determine how best to allocate or to use it because there are so many users of the spectrum with specific reference to Federal agencies, for example? Is it possible that all the industries can work together on this in partnership with the FCC, and obviously Congress being a catalyst in this regard? Because I wonder if we have really a true understanding of how much allocation is really necessary. You mentioned 800, but it could be 500—I know FCC has proposed 500 over 10 years and 300 within 5 years.

Mr. LARGENT. Yes, I think the spectrum inventory bill is a great step in the right direction. We supported the spectrum inventory bill, and we do today. But I think that gives us a good start on knowing where the spectrum is, what is available, what is being used, and the potential for the future.

Senator SNOWE. Thank you.

Thank you, Madam Chair.

Chair LANDRIEU. Thank you very much.

Mr. Gerke, let me start with you. The former panel, Larry Strickling from Commerce, responded to a question by one of the panelists—I think it was Senator Shaheen—that said we have gotten some pushback in our states as these grants have gone out over the issue of potentially unfair competition between the Government funding certain projects in rural or underserved areas and then the private sector competing.

Could you comment from your perspective as now potentially one of the largest servers of rural areas, do you see a way forward for the Government and the private sector to work together to get this job done for America? Or do you think it should be done only by the private sector or only by the Government? Is it possible to work this partnership in an effective way? And if so, how would you suggest we go forward?

Mr. GERKE. I think a couple of things on that point. It is a very good question. First is I think with the comments that have been received by the Administrators, hopefully they have got the right level of sensitivity that this project or this funding is not about building bridges next to bridges, but bridges for those who cannot yet cross the digital divide, and so I think that type of sensitivity.

We will be working very closely with them, as will many others in the industry, to make sure we identify areas of duplication so, frankly, with their best intentions, they can avoid those things.

I think the focus and keeping the focus primarily on the unserved and being a little careful not to use underserved definitions that allow you to overbuild in areas where they are there. There is a risk of overbuilding and taking anchor institutions from fragile business plans in rural America, and if you take the schools and the courthouse and a few other things away, the ability to serve the farmlands and the truly rural and the most difficult and the last to be served can collapse.

So I think there is definitely a place for funding, but through proper sensitivity, to not overbuilding, is understanding the fragile economic business model that exists, and it is a keen focus of constantly saying who does not have that bridge yet, you must build a single bridge for those folks to cross the divide.

Chair LANDRIEU. Thank you. I will come back with a second question in just a minute, but, Mr. Huval, I know that you all went through several years of this debate both in the Louisiana Legislature and then through the court system to finalize basically your plan. The FCC is going to be considering potential regulatory either barriers, maybe burdens to municipalities to deploy.

What would your extended comments be for another minute or two about what you would like to see either included or not included in that plan? And be as specific as you can.

Mr. HUVAL. Well, as things stand today in Louisiana, for example, a municipal utility system can choose to expand its assets to serve either existing growth or new territories, simply by going to its city council, making a case, and having the city council support that and moving forward with it. The same opportunity should be available for local governments to deploy telecommunications services.

And so our perspective is a hands-off approach. Let the local governments who are listening to the people on the ground, the business people on the ground, small businesses, the residential customers make those decisions and move forward with it without having any of the things that strap you back.

You know, when we negotiated this Local Government Fair Competition Act, we spoke very candidly with the telephone companies and the cable companies at the table during the negotiation as to how we would go about doing that. Once the act was passed, they all got a severe case of amnesia and started suing us on things that we had already agreed upon in principle because the A's and the I's were not quite exactly what we had previously agreed to in their perspective. Ultimately the Supreme Court 3 years later, and $4 million later, supported our position. But lesser communities would have said, "I give up." And, in fact, no city in Louisiana has tried to do what we have done even though the law is there.

So, clearly, it is not an enabling legislation. It is something that limits entities from doing what they need to do. And I think that the best thing that could happen is to remove all those State barriers and let local governments do what local governments do best: respond to their constituency.

Chair LANDRIEU. There is a very important question, you know, before the country right now as to how to get this accomplished. We have gone through this many times before, when electricity was invented, and the question is how would we get electricity to every home and to every business, whether you lived in a mansion in a big city or whether you lived on a farm 150 miles away from anyone. Of course, we know the history.

The same thing, I would imagine, with telephones. To some degree we still have the same issue with roads, whether they are private roads that can be built and supported by tolls, or they are generally supported with general tax dollars to places that there are not enough cars going down the road to support it by tolls. Do we build it or do we leave people without access to a road?

We have been through this issue in this country before, and it is going to be interesting to see how it turns out. That is not technically the jurisdiction of this Committee, as you know. Commerce will be deciding or recommending more specific legislation to all of us.

What is the jurisdiction of this Committee is how fast, how cheaply, and how quickly we can get broadband Internet service to the small businesses in this country to help them create the kind of jobs necessary to be successful. I recognize among you at the table—I really appreciate, Mr. Gerke, your brief history of Century Telephone, and I actually knew Mr. Clarke, as many of us did personally, who started the company, that you, too, once were a small business with a $500 investment and a few employees. To honor and acknowledge that among those providing the service at one time were extremely small businesses that have grown and to honor, of course, you, Senator Smith, with your commitment to small broadcasters, many of whom are still very small businesses around the country. So we want to be sensitive.

Let me ask you, Mr. Gerke—and we are going to have to probably close out with one more question to everyone. This merger that is pending, how—I mean specifically—is it going to help, and if there are ways that you think you are going to be challenged to provide better service at lower cost to the businesses now and, what is it, a 33–state area? How is this merger specifically going to help, in your view?

Mr. GERKE. Senator, I think that is a very fair question, and especially as it relates to small businesses as we expand from the 33 to what will be a 37–state footprint.

First, that additional reach of combining the two networks, including the long-haul network of Qwest, will cause us to be a more formidable competitor to the two large long-haul carriers; and, therefore, for regional businesses and other small businesses, being able to offer them additional competition, very viable, very seamless.

Second, we have been at the forefront of bring IP TV to markets. We have brought it to three markets. We are rolling it out to five additional markets at CenturyLink. The network within Qwest is well suited to continue rolling out video, facilities-based competition and providing consumer choice between not only the cable company but another facilities-based video provider. So two strong points of additional competition.

Our COO, Karen Puckett, has a proven ability to implement a local go-to-market basis where we put general managers and regional vice presidents much closer to our small businesses and customers to be much more responsive. As a result, we have seen increased broadband penetration and great success by being close.

The scale and scope will allow us to add offerings that complement our existing offerings, such as data hosting, to help small businesses have the kind of, you know, Web-based and Internet capabilities necessary to continue to grow their company on a by-the-drink basis without having to make large capital investments.

So when you combine that with, you know, no new data, proven track record, a mix of the two companies, I think it is a compelling case both for small businesses and it is a very compelling case of public interest for prompt approval.

Chair LANDRIEU. Okay. I am going to ask each of you, starting with you, Senator, to finish up with just 30 seconds or 1 minute of something you want to put on the record that we have not had the time—of course, we have been so pressed for time—to ask you this morning. Then I do want to say this hearing has been very illuminating and instructive. I am going to call a roundtable in about 3 weeks to hear from small business owners that use broadband Internet service. We are going to have a panel of small businesses. I am going to ask the staff to identify whose business model has been greatly enhanced by their ability to get high-speed quality service. Then I am going to include a panel of businesses that are not yet connected to hear what challenges they are finding and what they think in terms of how we should move forward. So we are going to give a voice to small businesses at this roundtable, and I will announce when that will be, but it will be sometime in the next 2 to 3 weeks.

Mr. Smith.

Mr. SMITH. Chair Landrieu, I would simply want to emphasize that the choice is not broadband versus broadcast. That is a false choice. The American people, if you ask them, would tell you they want both. There is a way to get both, and it is through investment and a lot of hard work, stripping away some of the rules that impede the investment or allowing broadcasters to have the opportunity to volunteer to help fix this problem without compulsion and without taxes and fees that are designed to put small businesses, small broadcasters out of business. That is not in the American interest in a day of natural and human-caused tragedies. Broadcasting represents an enormous service and an enormous value to the American people still.

Chair LANDRIEU. Thank you.

Congressman Largent.

Mr. LARGENT. Chairwoman, I would say that I represent the industry that brings broadband to the person, not broadband to the home, not broadband to the business, but broadband to the person. And in that vein, I would say and emphasize again that my testimony here today is to say we are going to need additional spectrum resources in the near future, not 20 years from now but in the next 5 to 10 years. We are going to need additional spectrum resources to enable us to bring that broadband to the person all over the country.

Chair LANDRIEU. Whether that person is sitting in a tractor out in the middle of a field or whether they are standing on Fifth Avenue in New York.

Mr. LARGENT. You bet.

Chair LANDRIEU. You want to be able to do that, and for American businesses, they need that to happen, or business people, they need that to happen.

Mr. Huval.

Mr. HUVAL. Yes, in Lafayette, we are offering 10 megabits per second, upload and download, for 29 bucks for residential customers and 100 megabits per second for $200. The upload is an extremely important aspect here because many times businesses that need to upload high-intensity files cannot do so or it is very frustrating to do so because typically upload fees are about one-tenth what the download fee is. So a company like golfballs.com in Lafayette, which conducts its business all over the world, cannot upload videos to show customers how to use their prospective products without having an upload speed that is significant.

We already are talking to health care providers about having MRIs be able to be seen by doctors in their homes instead of a doctor having to be called out to the hospital. We already had a live teleconferencing between San Francisco students and Lafayette students to collaborate on a project. The motion picture industry has already seen the value of this type of infrastructure in place.

So the thing is that this is a huge entrepreneurial opportunity that brings entrepreneurs out of their home, when they are in their home, or a small business to do some really great and positive things. It is an enabler. It is not a limiter. And so our major point is that this type of infrastructure is what we need to have. We need to all set the target and say here is where we want to be and then ask everybody at the table and say, "Who is going to get us there fastest?" And if the private sector can, we believe that they should. But if the private sector decides to play games with the system, as we have seen so many of them—not all of them, but so many of them do it in the past. That should not count anymore.

Chair LANDRIEU. Mr. Gerke.

Mr. GERKE. I think of the three-legged stool that supports our ability as a carrier of last resort to serve small businesses and consumers in rural America. The first leg is the reasonable and appropriate access charges to use the network. The second is universal service funding. And the third is the old blended business plans between the more dense market and the less dense market. All three of those legs of the stool are under serious attack, so I applaud the National Broadband Plan's approach to not abruptly changing things that would end our access to the necessary capital to deploy broadband to small business. Looking at 10-year transition periods I think is very important. And then continuing to understand that there has to be the foundation as these different legs of the stool change, that there still has to be a solid foundation to support the one carrier that has to and has that carrier-of-last-resort obligation to serve every consumer, every small business in the footprint regardless of how far down the farm road they are.

Thank you.

Chair LANDRIEU. Mr. Friedman.

Mr. FRIEDMAN. Well, I continue to believe that if you want to deploy broadband, our members are the ones that are deploying it every day. We are continuing to build our network out, and from the standpoint of my company, we have upgraded our system so that we are in a position where, with additional spectrum available on our system, we will be able to offer 100 meg service to our customers.

We have worked very hard to make sure we have the middle mile available because that is the part that clogs the network, that prevents customers from really achieving these speeds.

So I continue to believe that our members are the ones who are going to continue to reach out and edge our and serve the unserved areas. And the way we can do that with help from Government is to really remove the exemptions that make it difficult for us to build to the small businesses that we need to reach out to, by removing exemptions from the pole attachments from municipalities, removing additional costs and burdens that are given to us such as retransmission consent, which affects all the services we offer, and yet impacts the amount of capital we have available to build out to serve these areas.

Chair LANDRIEU. Thank you all very much. It has been very, very informative, and again, I look forward to our second series on the roundtable where we are hearing from small businesses that use these services and how critical they are. We could not do this fast enough, in my view, to help this economy grow.

Thank you, and the meeting is adjourned.

[Whereupon, at 12:17 p.m., the Committee was adjourned.]

# APPENDIX MATERIAL SUBMITTED

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

October 15, 2010

The Honorable Mary L. Landrieu
Chairwoman
Committee on Small Business and Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Landrieu:

Attached please find my responses to the additional post-hearing questions from my appearance before the Committee on April 27, 2010. Thank you again for the opportunity to testify on the National Broadband Plan before you and your colleagues on the Committee on Small Business and Entrepreneurship. I share your view that supporting small businesses and entrepreneurs must be a national priority of paramount importance. By arming small businesses with broadband and encouraging digital literacy, e-commerce, and online communications, we can help ensure that broadband fulfills its promise as a transformative tool for small businesses and America's economy. I look forward to working with you to implement the plan, and please let me know if I can be of further assistance.

Sincerely,

Julius Genachowski

**Post Hearing Questions for the Record**
**Submitted to Julius Genachowski**
**From Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

April 27, 2010

(1) The ability to access capital has long been a significant barrier to success for small businesses in every industry, including the communications industry. The current financial crisis has only further exacerbated this problem and today, it is more difficult than ever for small business to access capital

- In light of these conditions, how will the Federal Communications Commission (FCC) account for the inability of many small communications firms to access sufficient capital in its rulemaking processes, policy-making efforts, and its enforcement of construction deadlines for those few small businesses that won broadcast or wireless licenses at auction?

**RESPONSE: With respect to wireless licenses won at auction, the Commission provides flexibility to meet construction deadlines over a period of several years. Construction periods vary depending on the spectrum band and geographic scope. For example, some licenses must be constructed in 10 years, while other licenses have interim deadlines for initial construction within 3 to 5 years. This approach normally provides sufficient time for licensees to make informed technology choices and financial arrangements. While the vast majority of licensees meet their construction requirements within the allotted period, the Commission nevertheless considers requests for waiver of the construction rules on a case by case basis.**

(2) The FCC has again missed its statutorily-mandated deadline for its submission of the Section 257 Report to Congress, regarding the elimination of market entry barriers for small businesses, as mandated by the Telecommunications Act of 1996.

- What is the status of this report? Why has it been delayed?

**RESPONSE: The Section 257 Report has been submitted to the FCC's commissioners for review and approval. We anticipate that the commissioners will vote to approve the report soon.**

(3) How will the National Broadband Plan advance opportunities for small businesses, including women and minority-owned small businesses? Please be specific.

**RESPONSE: Generally the National Broadband Plan contains a number of strong recommendations to advance opportunities for small businesses, including women and minority-owned small businesses. To improve availability of broadband infrastructure, particularly in rural areas, the Plan proposes a once in a generation transformation of the Universal Service Fund, shifting support from plain old telephone service to broadband communications. The Plan also lays out a strategy for unleashing additional spectrum for wireless broadband; enabling incentive auctions and market-based solutions for driving spectrum to its highest, best and most efficient use and promoting flexible and unlicensed spectrum use - such as the Commission's recent effort to free up white spaces for unlicensed use to unleash a host of new technologies such as "Super Wi-Fi" and other diverse applications. To bring more broadband choices to small businesses, and improve affordability, the Plan recommends taking steps to promote competition, including the development of an effective framework to ensure that small businesses benefit from robust, healthy competition in the marketplace. Specifically, the Plan includes the following recommendations:**

- **Recommendation 13.1 states that SBA resource partner programs should provide enhanced information technology applications training. Many small businesses may currently receive training for business planning, finance, application usage, and marketing – often through the Small Business Development Centers (SBDCs) or Women's Business Centers (WBCs). Such training may or may not include material on how to use broadband or online content. Training programs could include "Broadband 101" courses to give small businesses an introduction on how to capitalize on broadband connectivity, as well as more advanced applications for information technology staff.**
- **Recommendation 13.2 states that current federal programs to help small businesses – SBDCs, WBCs, Veterans Business Outreach Centers, and the Service Corps of Retired Executives (SCORE) - should use broadband and online services to "scale up" their services to reach more small businesses. In other words, these programs – all with limited resources – could do more with what they have by building an online network of information and expertise to reach more small businesses.**
- **Recommendation 13.3 states that the government should develop a public-private partnership to provide technology training for small disadvantaged businesses and small and medium enterprises (SMEs) in low income areas. The private firms – both communications providers and technology firms – could contribute "how to" expertise on digital literacy, e-commerce, and cybersecurity, while also lending technical and professional support for hardware, software, and business operations. Other contributions include licenses for business applications, website development and registration, and basic communications equipment such as computers and wireless routers.**
- **Recommendation 13.4 states that Congress should consider additional funding for the Economic Development Administration to bolster entrepreneurial development programs with broadband tools and training. Existing entrepreneurial development efforts focus on business plans, funding, market testing, and fostering connections with peer entrepreneurs. However, broadband applications are not always adequately integrated into core mandates of these efforts. This recommendation is**

**modeled after existing entrepreneurial efforts at the state level (e.g., Innovation Works in Pennsylvania and Innovate Illinois). This idea here is to develop pilots, each with a $3 million annual budget, that fill gaps in broadband training and tools in areas not covered by an existing program. The pilots would have one-third federal funding, one-third state and local economic development agencies, and one-third private entrepreneurial support organizations.**

**Moreover, the FCC is working with Small Business Administration (SBA) today to broaden the reach of the effort by including more minority-owned small business organizations, like the Hispanic Chamber of Commerce. Finally, the consumer adoption recommendations, such as Digital Literacy Corps, Lifeline, and Linkup, will have the added benefit to minority-owned small businesses by providing them with access to broadband-skilled workers and customers.**

(4) The National Broadband Plan recommends upgrading lead Small Business Development Centers (SBDCs) to provide advanced IT and broadband training. This would cost $1 million annually, create 12 new Small Business Technology Development Centers (SBTDCs), and 180 sub-centers. The Plan also recommends that Congress provide additional funds to Women's Business Centers (WBCs) for a curriculum for women entrepreneurs on broadband applications.

- In light of current budget constraints on these two SBA programs, can you recommend alternative options that would better utilize existing funding authority towards broadband training?

**RESPONSE: The National Broadband Plan's recommendation for a public/private partnership to expand broadband adoption by small businesses has been implemented with an innovative partnership between the FCC, the SBA, the SCORE Foundation and a number of corporate sponsors. The corporate sponsors have already committed to provide major funding to begin implementing the goals of the partnership such as expanding small business centers across the country and providing broadband training and support to small businesses. The private donations enhance and expand the capability and scope of the public partners' broadband outreach to small businesses. In the meantime, as specified in the Plan, we continue to work with SBA, NTIA and SCORE (the Service Corps of Retired Executives) as well as our private sector partners – AT&T, Best Buy, Cisco, Google, Hewlett Packer, Intuit, Microsoft and others – on the broadband consortium, launched in March of this year to train small and diverse businesses to maximize their utilization of broadband technology. Specifically, the consortium will provide digital literacy training, web skills training, and training on e-commerce capabilities and online communications tools usage. Thus far, our private sector partners have donated approximately $1.125 million to this broadband training effort.**

(5) Many state and local governments, including some in Louisiana, have received funding through the American Recovery and Reinvestment Act (ARRA) to establish and provide municipal broadband services. While the Recovery Act model has been successful, it is controversial, particularly among businesses concerned about having to compete with local governments to provide these services. To help resolve these issues and facilitate future implementation of broadband access, the National Broadband Plan recommends that Congress make clear that Tribal, State, regional and local governments can build broadband networks.

- Please elaborate on this recommendation and explain under what circumstances municipal broadband would be appropriate.

**RESPONSE: State, regional, local and Tribal governments play an important role in ensuring that broadband services are available in their communities, and the National Broadband Plan role envisions that these governments will be active and constructive partners in meeting the Plan's recommendations. For example, state, local and Tribal governments could work directly with the FCC and other federal agencies to lower the costs of rights-of-way and other infrastructure, and they could facilitate and aggregate demand between disparate community anchor institutions, such as hospitals, schools, libraries, and local government offices, which can drive down the risk (and resulting cost) of private broadband network investment. Even when such cost-lowering and demand aggregation steps have been taken, there may be areas in which a community may not see broadband investment. In those situations, state, regional and local governments should not be prohibited from taking more direct steps, either by investing directly in networks themselves or in facilitating its construction through consortia or other approaches.**

(6) The National Broadband Plan recommends that the General Services Administration (GSA) develop master contracts for Federal buildings to allow for the placement of wireless towers. When considering the significant Federal physical footprint in our communities – a local USDA or SBA office for example – I believe this idea has definite benefits for small businesses without broadband access.

- Will FCC commit to report back to my committee on potential hurdles or benefits of this recommendation?

**RESPONSE: The FCC had an initial discussion with GSA about this recommendation. If we encounter hurdles with this recommendation, the FCC can certainly keep the Committee informed of those challenges.**

- Will you also coordinate with local communities as your agencies build out your internal broadband networks in your field offices?

**RESPONSE: The FCC would coordinate with local communities if we were to take steps in furtherance of this recommendation in our field offices. However, we have not moved in that direction at this time.**

(7) Is the FCC on target to produce the National Broadband Map by February 17, 2011?

**RESPONSE: The Recovery Act directed NTIA to develop and maintain a comprehensive nationwide inventory map that depicts the geographic extent to which broadband service capability is deployed and available from a commercial or public provider. Working with NTIA, the FCC has received the first round of data from the 53 awardees of the State Broadband Data Development program, totaling 15 million total records of data. The agency has integrated that data and developed a prototype map application and is on target to production the National Broadband Map by February 17, 2011.**

(8) Recently, the FCC published the Broadband Action Agenda, which outlines the timeline by which the agency will address several rulemakings related to the National Broadband Plan that could potentially affect both small broadband providers and customers alike.

- When specifically will the Commission shift its focus to begin this important rulemaking process?

**RESPONSE: The Commission is focusing on a myriad of both short-term and long-term policies and rulemakings that will benefit small businesses. Internally the Commission has created a Universal Service Working Group to provide the framework for collaboration between the bureaus and offices on the broadband universal service agenda. In addition the Commission is working closely with NTIA to identify spectrum that can be made available on a fast-track basis and the development of a plan to make spectrum available for wireless broadband over the next 10 years. In May the Commission adopted an order making 25 MHz of spectrum available for mobile broadband services. In addition, the Commission has proposed additional flexibility to provide another 90 MHz of spectrum for terrestrial wireless broadband service. Also, recently the Commission adopted an order that modernizes and upgrades the E-rate program to bring high-speed, affordable Internet access to schools and libraries.**

**Post Hearing Questions for the Record**
**Submitted to Chairman Genachowski**
**From Senator Risch,**
**U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

April 27, 2010

1. How does the FCC plan to ensure competitive choice to small businesses?

   **RESPONSE:** With a proper regulatory framework and suitable data necessary to implement that framework, we can better ensure that small businesses have sufficient competitive alternatives to meet their evolving needs. In response to the Plan's recommendations, we are undertaking a review of existing policies and development of just such a competitive framework. To improve availability of broadband infrastructure, particularly in rural areas, the Plan proposes a once in a generation transformation of the Universal Service Fund, shifting support from plain old telephone service to broadband communications. The goal is for every American consumer and business, large and small, whether they live in a rural town and urban city or in between, has access to high-speed broadband service. The Plan calls for reform and expansion of the Rural Health Care Program to help improve broadband access and usage for small health care providers and doctors around the country. To bring more broadband choices to small businesses, and improve affordability, the Plan recommends taking steps to promote competition, including the development of an effective framework to ensure that small businesses benefit from robust, healthy competition in the marketplace. To further expand broadband choices for small businesses, the Plan calls for removing barriers to municipal broadband networks, and increasing transparency about the speed of service to all broadband consumers, including small businesses.

2. The growing availability of broadband has made the Internet a vital part of our economy. It has allowed numerous small businesses in rural areas, many in my home state of Idaho, to reach customers worldwide. The Internet stands as a shining example of American ingenuity and success. So why would the FCC consider changing the rules of a game that we are winning by regulating the Internet under title II?

   **RESPONSE:** Promoting continued investment and job creation, both in the core broadband networks and through Internet-based services and applications that ride on such networks, is a key priority for the FCC and a key focus of the National Broadband Plan. The private sector is the key to investment and job creation, but government policy can help facilitate those outcomes, including through recommendations of the National Broadband Plan to spur broadband deployment and adoption, such as USF reform. Telecommunications policy must take account of current market and technological realities.

   After the National Broadband Plan was released, the United States Court of Appeals for the District of Columbia Circuit released its decision in *Comcast Corp. v. FCC*, 600 F.3d 642

(D.C. Cir. 2010). The *Comcast* decision casts serious doubt on whether the legal framework the Commission chose for broadband Internet services nearly a decade ago is adequate to achieve these core broadband policies, which prior Commissions thought they had legal authority to implement. To address this challenge, the Commission adopted a Notice of Inquiry at its June 17 Open Meeting to initiate a public discussion on how the Commission should proceed in light of *Comcast*. The Notice seeks comment on all options, and invites any ideas for how the Commission should proceed, including: maintaining the current "information service" classification of services such as cable modem and DSL Internet access; classifying broadband Internet connectivity service as a "telecommunications service" to which all the requirements of Title II of the Communications Act would apply; and the "third way" – similar to the successful approach that has been used for cell phone services since 1993. Under this approach the Commission would identify the Internet connectivity service that is offered as part of wired broadband Internet service as a telecommunications service and forbear from applying all provisions of Title II, other than the small number that are needed to implement fundamental universal service, competition and market entry, and consumer protection policies.

I welcome the process that Chairmen Rockefeller, Waxman, Kerry, and Boucher have announced to develop proposals updating the Communications Act. A limited update of the Communications Act could lock-in an effective broadband framework to promote investment and innovation, foster competition, and empower consumers. I have committed all available Commission resources to assisting Congress in its consideration of how to improve and clarify our communications laws. Meanwhile, in view of the court decision, and as the Congressional Chairs have requested, the Commission has an obligation to move forward with the public proceeding initiated by our Notice, which is complementary to Congress's own efforts.

**Committee on Small Business and Entrepreneurship**
**Hearing on "Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"**
**Senator Roger F. Wicker**
**Questions for the Record**

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**Questions for Chariman Genachowski:**

1. Last June I joined three of my colleagues in a letter to Acting Chairman Michael Copps regarding concerns over the use of exclusivity arrangements between commercial wireless carriers and handset manufacturers. Can you please provide an update of the status of any Commission action related to this issue?

**RESPONSE: As you are aware, on May 20, 2008, the Rural Cellular Association filed a petition requesting that the Commission initiate a rulemaking proceeding examining "exclusivity arrangements between commercial wireless carriers and handset manufacturers." The Commission collected a record on the petition last year. In addition to assessing the record submitted, Commission staff are meeting with interested parties and are independently monitoring and evaluating the availability of handsets to consumers, and to smaller service providers, in the mobile wireless marketplace.**

2. The National Broadband Plan includes numerous recommendations for reform to the Universal Service Fund, including the High Cost Program. How would these proposed changes impact services currently receiving support under the High-Cost Fund?

**RESPONSE: Universal service resources are finite and contributions have grown significantly over the last decade. To keep the overall size of the universal service fund within baseline projections, the Commission will need to eliminate inefficient funding of legacy voice service and refocus universal service funding to directly support modern communications networks that will provide broadband as well as voice services. The National Broadband Plan recommends a 10 - year transition to ensure that service providers that rely on universal service to provide voice service to their communities can make the migration to broadband successfully. During this transition, the Plan recommends that the Commission establish a Connect America Fund to support broadband and a Mobility Fund to provide one - time support to consumers in states that significantly lag the national average for 3G service. During this same period, the Plan also recommends that the Commission reduce spending under the legacy high - cost support mechanisms and target the savings to the Connect America Fund and other recommendations in the National Broadband Plan. On April 21, 2010, the Commission adopted a notice of inquiry and notice of proposed rulemaking, which sought comment on: (1) moving rate - of - return companies to incentive regulation, (2) retargeting interstate access support to a new Connect America Fund, and (3) eliminating funding for competitive eligible telecommunications carriers over a five - year period. The Plan**

**recommends that by the end of the transition, the Commission eliminate the legacy high - cost support mechanisms and all support will be provided through the Connect America Fund.**

a. Will these proposals result in a rollback of service in currently supported areas in the future?

**RESPONSE: No. The Plan recognized that certain areas may need ongoing public investment to sustain existing broadband (and voice) service. Funding broadband (and voice) service where it does not exist and sustaining broadband (and voice) service where it does are not mutually exclusive goals.**

3. The National Broadband Plan makes proposals regarding broadcast spectrum. Do you envision the Plan's recommendations regarding channel sharing and spectrum fees as voluntary measures adopted by the broadcast industry?

**RESPONSE: The plan under consideration for recovery of broadcast television spectrum would not require that any stations involuntarily share or otherwise yield their channels; any such actions would be voluntary on the part of station licensees. Both full service and low power stations (including translators) could be required to change channels or may seek to share channels.**

**Under the approach described in the National Broadband Plan, channel sharing would be a voluntary option for broadcasters to reduce their operating costs and provide a potential source of capital for investment into programming. If a broadcaster chose not to participate, their broadcast services would not change from what they are today.**

**The National Broadband Plan calls on Congress to grant the FCC and NTIA authority to impose spectrum fees, but only on spectrum that is not licensed for exclusive flexible use. From 2001-2008 the Bush Administration requested that Congress grant the FCC authority to impose spectrum fees.**

a. Do you plan to apply these requirements in both small and large markets?

**RESPONSE: Our proposal recommends voluntary participation by broadcasters in all markets where demand for broadband spectrum exceeds what the FCC has in inventory, and our auction design plans currently do not contemplate different participation criteria for different sized markets. While the demand for broadband spectrum is likely to be higher in larger markets than in smaller markets, it is too early to predict how desirable voluntary participation in any particular market will be.**

**Post Hearing Questions for the Record**
**Submitted to Sean Greene**
**From Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**

***"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"***

**April 27, 2010**

***(1) In past meetings with Administrator Mills, I have suggested that she consider appointing a high-level coordinator to oversee agency efforts on broadband-related issues. SBA has core counseling, contracting, and lending programs that could be better utilized when assisting small business customers and providers seeking access to access broadband technology.***

- ***Does the SBA plan to implement my recommendation? (Yes/No)***

  **SBA Response:** The SBA takes seriously this recommendation and will continue to assess the need for such a position.

- ***Does SBA have existing authority and funding to implement this recommendation or does the agency require legislation?***

  **SBA Response:** After its assessment, and should SBA decide to implement this recommendation, we do not anticipate the need for additional statutory authority or funding. .

***(2) The National Broadband Plan recommends upgrading lead Small Business Development Centers (SBDCs) to provide advanced IT and broadband training. This would cost $1 million annually, create 12 new Small Business Technology Development Centers (SBTDCs), and 180 sub-centers. The Plan also recommends that Congress provide additional funds to Women's Business Centers (WBCs) for a curriculum for women entrepreneurs on broadband applications.***

- ***In light of budget constraints on these two SBA programs, can you recommend alternative options that would better utilize existing funding authority towards broadband training?***

  **SBA Response:** In April 2010, SBA and FCC announced an initiative launched by SCORE whereby SCORE is forming public/private partnerships with high-tech companies to develop and provide broadband resources for small businesses in response to Recommendation 13.3, which will provide technology training and tools for small businesses, particularly those in low income areas. These training resources will also be made available to SBDC and WBC networks in 2011.

***(3) National Broadband Plan stated that that small businesses often have fewer resources to devote to cyber security than larger businesses and recommends that the Executive Branch and SBA work with other groups to develop a cyber security resource program.***

- ***How does the SBA plan to work with the Executive Branch to implement this recommendation?***

  **SBA Response:** For several years SBA has cosponsored a successful cyber security training program with FBI (Infraguard program) and NIST designed to educate small businesses on cyber security concerns and how to protect their businesses and business information.

***(4) The National Broadband Plan recommends that the General Services Administration (GSA) develop master contracts for Federal buildings to allow for the placement of wireless towers. When considering the significant Federal physical footprint in our communities – a local USDA or SBA office for example – I believe this idea has definite benefits for small businesses without broadband access.***

- ***Please provide the committee with information on SBA's participation in the National Antenna Program, including the number of wireless towers deployed on facilities which contain an SBA office.***

  **SBA Response:** Given that all SBA offices are located in General Services Administration (GSA) leased facilities and GSA is responsible for the wireless towers element of the National Broadband Plan, we think GSA is better positioned to answer this question.

- ***Please provide the committee with information on existing contracts between the SBA and the General Services Administration related to broadband and wireless deployment in Administration offices.***

  **SBA Response:** Please see attachment for a table showing the broadband related contracts SBA is using currently with the General Services Administration (GSA). The contract numbers for circuits (in orange) will all be changing over the course of the year as SBA transitions to GSA's new Networx contract.

- ***Will you coordinate with local communities as you build out your internal broadband networks in your field offices in the future? (Yes/No)***

  **SBA Response:** SBA does not pursue broadband connectivity to its field offices as a community development activity; rather, the agency contracts with the government's telecommunications service provider, GSA, to provision SBA field offices with telecommunications. SBA follows GSA decisions in connecting its field offices in a least-cost manner that is consistent with government-wide policy. Therefore we do not have an independent policy role in

telecommunications that would provide us the ability to affect local community connectivity.

- ***Are there any specific opportunities for the SBA to improve broadband or wireless technology in Administration offices in areas currently underserved or unserved by broadband service providers?***

  **SBA Response:** The SBA continually reviews our facility needs to identify areas that could be improved. We will be mindful of the broadband and wireless technology needs of our offices as we conduct these reviews.

***(5) In the City of Lafayette's testimony, they outline a "Build-A-Computer Program" that teaches students to build their own computers. At the end of the program, they get to keep the computer – spurring digital literacy in their family. Several years ago, the Small Business Administration's (SBA) Office of Advocacy helped to donate used Department of Health and Human Services (HHS) computers to rural small businesses.***

- ***Please provide the committee with the current number of agency laptops and personal computers and how many excess or obsolete computers the agency disposes of each year.***

  **SBA Response:** SBA has 8,543 computers and 3,185 laptops. In 2010 we disposed of 62 personal computers and 15 laptops.

- ***Does the agency have existing administrative authority to donate or offer at discounted prices 1,000 used Federal computers a year to small business owners or students? (Yes/No)***

  **SBA Response:** SBA does not have the authority to donate or sell used equipment, including computers, to small business concerns. Equipment and other personal property held by SBA that is no longer required for the Agency's needs is deemed to be excess personal property. 41 C.F.R. § 102-36.40. SBA must dispose of all excess personal property in accordance with the Federal management regulations (41 C.F.R. §§ 102-35 to 102-42) and Chapter 3 of SOP 00 13 4 (Property Management Program).

  With certain exceptions, SBA may not dispose of excess personal property without the approval of GSA. 41 C.F.R. § 102-36.275. Once SBA declares an item to be excess personal property, the Agency typically turns it over to GSA, which then makes it available for use by other Federal agencies. If excess personal property is not required for the needs of any other Federal agency as determined by GSA, it is deemed to be surplus personal property and GSA then transfers it to the nearest state agency for surplus property (SASP). Surplus personal property transferred to a SASP may be claimed by hospitals, charities serving the homeless or impoverished, schools, universities, child care centers,

public museums and libraries, educational TV and radio stations, or participants in SBA's 8(a) BD program. 41 C.F.R. §§ 102-37.380, 102-37.125(a)(3); 13 C.F.R. § 124.405; 15 U.S.C. § 636(j)(13)(F).

For SBA's purposes, there are two key exceptions to the general requirement that excess personal property must be turned over to GSA. First, under 41 C.F.R. § 102-36.185, SBA may transfer excess personal property directly to one of our current grant recipients if: (i) the grant recipient is a public agency or nonprofit organization; (ii) the property will be used in connection with the grant; and (iii) SBA pays 25% of the original acquisition cost of the property into the miscellaneous receipts fund maintained by the Department of the Treasury. Alternatively, pursuant to Executive Order 12999, SBA may donate excess computer equipment directly to schools and nonprofit organizations, including community based educational organizations. All excess personal property SBA transfers to non-Federal recipients under either exception must be reported annually to GSA. 41 C.F.R. § 102-36.300.

*i.* ***If yes, will the SBA implement such a program?***

**SBA Response:** N/A

*ii.* ***If not, please outline what type of legislation or appropriations would be needed for such a program.***

**SBA Response:** Legislation would have to be enacted empowering the agency to provide computers to small business owners. Barring this, SBA cannot assist them by providing computers.

| Circuit Type | Quantity / Item | GSA Contract Number | Contract Name | Service Provider |
|---|---|---|---|---|
| T1 | 25<br>T1 Circuits | GS00T07NSD0007 | FTS2001 NP | AT&T |
| T3 | 10<br>T3 Circuits | GS00T07NSD0007 | FTS2001 NP | AT&T |
| T3 >=T3 | 1<br>FL-T3 variable circuit | GS00T07NSD0007 | FTS2001 NP | AT&T |

Wireless

| Equipment | Quantity | SBA Contract Number | Contract Name | Service Provider | GSA Schedule |
|---|---|---|---|---|---|
| Broadband Access Cards | 161<br>Broadband Access cards | Verizon-SBAHQ-10-M-0025<br>AT&T-SBAHQ-10-M-0026 | Verizon Federal<br>AT&T Mobility | Verizon Wireless<br>AT&T | GS-35F-0119P<br>GS-35F-0297N |
| Mifi 2200's (Hot Spots) | 10<br>Mi-Fi Devices | SBAHQ-10-M-0025 | Verizon Federal | Verizon Wireless | GS-35F-0119P |

**Post Hearing Questions and Answers for the Record**
**Submitted to Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**
**From Susan Walthall, Acting Chief Counsel**
**Office of Advocacy, U.S. Small Business Administration**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

June 30, 2010

(1) On December 22, 2009, the Small Business Administration (SBA) approved the request from National Telecommunications and Information Administration (NTIA) to increase the size standards for small telecommunications firms to $40 million. The Office of Advocacy worked with NTIA to have this standard increased for socially and economically disadvantaged businesses (SDBs).

- **Do you believe that the changes in the size standards governing small communications firms will result in more SDBs participating in NTIA's Recovery Act program?**

Advocacy believes that raising the SBA size standard for small telecommunications firms to $40 million should contribute to an increase of small businesses participating in NTIA's program; however, Advocacy believes there may be additional barriers to greater SDB participation in the program.

Specifically, Advocacy believes that the Recovery Act requirement for NTIA to define SDBs under SBA's 8(a) program standards may limit SDB participation. For example, to qualify as an SDB under the current standards, a firm must have a net worth less than $250,000. Additionally, to remain eligible for the program after receiving an award, an SDB must not exceed a net worth of $750,000 and must maintain management and ownership control of the firm. These requirements may make it difficult for many SDBs to full take advantage of NTIA's program.

As learned at the hearing, preliminary numbers from NTIA on Phase 1 of its Recovery Act program show that 31 projects had SDB partners and that at least 8 small businesses received awards. NTIA is now entering Phase 2 of its program and will have further numbers regarding SDB and small business participation in the near future.

(2) In the City of Lafayette's testimony, they outline a "Build-A-Computer Program" that teaches students to build their own computers. At the end of the program, they get to keep the computer – spurring digital literacy in their family. Several years ago, the Small Business Administration's (SBA) Office of Advocacy helped to donate used

Department of Health and Human Services (HHS) computers to rural small businesses.

- **Will Advocacy review possible Federal partnerships, including SBA, to repeat such a program on a larger scale?**

Advocacy's past work in obtaining computers from HHS was done through one of the Regional Advocates in Texas working locally with federal government officials. While Advocacy applauds this kind of initiative and ability to take action on behalf of rural small businesses, our office has since learned that we do not have the authority to run such a program on a large scale. However, Regional Advocates have long been valuable resources in connecting small businesses with opportunities with the federal government.

While Advocacy would be interested in being a partner in such a program, we would recommend that it be coordinated and run through a better suited agency such as the General Services Administration (GSA). GSA provides products and communications for all U.S. government offices and would be uniquely qualified to spearhead such a program due to their interaction across the government and the size of the agency. In addition, most agencies, including SBA, already have agreements in place to send their old computers to GSA. If such a program were established through the GSA or another agency, we would welcome a partnership with our Regional Advocates to help locate and connect small businesses in need of computers.

- **Does Advocacy have existing administrative authority to work with Federal agencies to either donate or offer at discounted prices 1,000 used Federal computers a year to small business owners or students? (Yes/No)**

**i. If yes, would Advocacy be the appropriate lead agency for such a program?**

The Office of Advocacy does not have clear administrative authority to either donate or offer discounted computers to small business owners. SBA, which provides Advocacy's computers, does currently have a program in place to donate used computers to elementary schools.

**ii. If not, please outline what type of legislation or appropriations would be needed for such a program.**

As discussed above, Advocacy believes that GSA has the best infrastructure and expertise in place to successfully launch such a program. Advocacy recommends legislation giving GSA appropriations to administer the program on a government-wide basis. Advocacy also recommends the formation of an interagency taskforce, to support GSA in coordinating such an effort.

**Post Hearing Questions for the Record**
**Submitted to Lawrence E. Strickling, Assistant Secretary for Communications and Information**
**From Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

April 27, 2010

(1) **Please clarify the difference between an 'unserved area' vs. an 'underserved area'. For example, if a company has a "head end" facility or other infrastructure in a given area but it is not connected to any homes or businesses, is that area considered 'unserved' or 'underserved'?**

In its Notices of Funds Availability (NOFA), NTIA defined "unserved" to mean an area where at least 90 percent of the households lack access to facilities-based, terrestrial broadband service, either fixed or mobile, at the minimum broadband transmission speed of 768 kilobits per second (kbps) downstream and at least 200 kbps upstream. A household has access to broadband service if the household readily can subscribe to that service upon request. An unserved area may include individual Census block groups or tracts that on their own would not be considered unserved. We defined "underserved" to mean an area where either no more than 50 percent of the households have access to broadband; no provider advertises broadband speeds of at least 3 Mbps, or the rate of broadband subscribership is 40 percent of households or less. The presence of a headend facility or other infrastructure is not, standing alone, a relevant factor.

(2) **The Committee has heard from a number of potential BTOP/BIP applicants who have expressed their concern over whether or not grants are taxable. Please explain the tax implications on awardees receiving BTOP/BIP grant funds.**

Generally, it is the responsibility of BTOP grant recipients to seek guidance from qualified advisors on the applicability of all laws, including federal, state, and local tax law to this unique circumstance. The Internal Revenue Service (IRS) issued a letter on March 4, 2010 that provides guidance on the tax implications of payments made to recipients of grants awarded under BTOP. The letter states the opinion of the IRS that BTOP grant payments to corporations will qualify for exclusion from income under Section 118 of the Internal Revenue Code (IRC) in some, but not all, circumstances. A copy of the letter is posted at http://www.broadbandusa.gov/files/IRS_guidance030910.pdf and applicants have been encouraged to refer to the letter and to consult a tax advisor in evaluating the extent to which BTOP grants may be taxable to their organizations.

(3) **Please elaborate as to how and why the BTOP/ BIP program guidelines were set the way that they are. Specifically, as written, do the current guidelines favor certain technologies?**

The Recovery Act requires that NTIA implement BTOP in a manner that, to the extent practicable, is technologically neutral (§6001(e)(1)(C)). Consistent with this statutory directive, BTOP program guidelines, polices, and rules have been developed with a number of important objectives in mind, among them technological neutrality. NTIA encouraged applications from a wide variety of governmental, non-profit, and for-profit organizations proposing projects that would address the unmet broadband needs of American communities in the most comprehensive, efficient, and effective manner possible. The technology proposed by a BTOP applicant is relevant only to the extent it enables the applicant to effectively and efficiently address these needs. NTIA has not specified that applicants propose particular technologies over others. To date, NTIA has awarded projects employing a range of technologies, including wireline (*e.g.*, fiber, cable) and wireless (*e.g.*, microwave, WiMax, WiFi) technologies to enhance broadband access and adoption in areas of the United States. As NTIA continues to evaluate and award Round Two BTOP projects, it will pursue the objective of technological neutrality to the extent practicable, as the law requires.

**Post Hearing Questions for the Record**
**Submitted to Steve Friedman**
**Chairman, American Cable Association, Pittsburgh, PA**
**Chief Operating Officer, Wave Brodband, Kirkland, WA**
**From Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

April 27, 2010

(1) In your testimony, you indicated that that the elimination of the ban on integrated set top boxes would allow small cable providers to increase their digital programming and increase their broadband speed.

- Would the elimination of the ban on integrated set top boxes also permit these small providers to increase the broadband coverage in their service areas?

Yes. Reforming the set-top box integration ban would make it easier for small and medium-sized cable operators to increase the broadband coverage in their service areas.

Under existing set-top box rules, small and medium-sized cable operators, like WaveBroadband, must expend limited capital to purchase non-integrated set-top boxes that are significantly more expensive than other consumer-friendly devices available prior to the Federal Communications Commission's implementation of well-intentioned, but highly flawed, regulatory policies. As I indicated in my testimony, relaxing the integration ban would produce numerous consumer benefits, including the availability of more digital programming and faster broadband speeds due to the improved ability of small and medium-sized cable operators to free capacity for broadband by launching more digital services. In addition, it is also true that by allowing smaller operators the option of purchasing less expensive set-top boxes, these providers would have more capital available to reinvest and expand their broadband footprints.

**Post Hearing Questions for the Record**
**Submitted to Terry Huval**
**From Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

April 27, 2010

(1) In your testimony you mention that major policy changes are needed in order for the United States to have a "world class" broadband system.

- What specific changes could the Committee or the Federal Communications Commission (FCC) make that would facilitate our goal of universal broadband service and reduce any unnecessary regulatory barriers?

**RESPONSE:**

Here are several specific ideas:

- Issue a forceful statement of national policy that for the United States to remain a leader in the emerging knowledge-based global economy, public and private entities of all kinds must do their utmost to accelerate the deployment, adoption, and use of high-capacity communications networks and services

- Enact federal legislation that would clearly and unambiguously preempt all forms of state barriers to public broadband initiatives (e.g., the Community Broadband Act, H.3281 and S.1853, that was proposed in the last Congress). Such legislation should make clear that public entities are entitled to receive non-discriminatory access to any federal, state, or other benefits available to private entities and are authorized to engage in any lawful practices in which private entities can engage.

- For operators of fiber-to-the-home systems to survive and thrive, they must be able to use their systems for all lawful purposes, including providing cable, telephone, security, energy, environmental, and other services. Of these, video programming service is among the most important, because consumers value it very highly. Unfortunately, the FCC's rules and interpretations are heavily biased in favor of large multisystem cable operators, large satellite video programming distributors, and large broadcast network. If Congress and the FCC are serious about preserving and protecting competition by small cable operators, they should carefully reform the relevant laws and regulations governing access to content, so as to create a level playing field for small broadband providers. One specific example would be to prohibit content-buying cooperatives such as the National Cable Television Cooperative from denying admission to qualified applicants and from discriminating among similarly-situated entities.

- Anticompetitive behavior by established cable and telecommunications carriers is endemic in the communications field. Unfortunately, the antitrust laws are all but worthless to protect small broadband providers from such behavior, because such laws are much too time-consuming and expensive to enforce within a reasonable period of time. Congress should strongly encourage the Federal Communications Commission, the Federal Trade Commission, and the Department of Justice to take the initiative to enforce antitrust and unfair trade practice laws themselves. This would significantly reduce the costs involved for the victims of such misconduct and might deter similar practices by others. At the same, rather than rely solely on broad general principles, Congress should spell out standards of conduct in clear and unmistakable language and should back them up with penalties that are stiff enough to make noncompliance risky and unprofitable.

(2) In your testimony, you outline your "Build-A-Computer Program" that teaches students to build their own computers. At the end of the program, they get to keep the computer – spurring digital literacy in their family. Several years ago, the Small Business Administration's (SBA) Office of Advocacy helped to donate used Department of Health and Human Services (HHS) computers to rural small businesses.

- Can you describe the potential impact of perhaps donating 1,000 used Federal computers a year to small business owners or students?

**RESPONSE:**

Any computers donated from the Federal government to the "Build-A-Computer Program" could increase the amount of exposure the target audience has to the benefits and impacts of this program. Those impacts are discussed below.

**Impacts:**

The Lafayette Students Build-A-Computer Program proposes to increase broadband adoption among low-income students by providing training and free computers for graduates of the program. It has already shown success in its early efforts and will be able to expand to serve more community need with additional funding, and/or with the donation of additional equipment. The program is administered through The Heritage School of the Arts & Technology, a non-profit entity which uses volunteers and donated, used computers for this purpose. For over seven years, The Heritage School of the Arts & Technology has been working with disadvantaged students to teach them skills to succeed in society.

The Lafayette Utilities System fiber optic system (LUS Fiber) is a city-owned advanced telecommunications entity, serving customers throughout the entire Lafayette community. One of the early visions of LUS Fiber was to bridge the digital divide. It conducted a survey in conjunction with the University of Louisiana at Lafayette using questions consistent with recognized surveys conducted elsewhere.

This survey "Internet Use in Lafayette, LA – 2009 Baseline Study" provides a solid baseline that can be used to determine the effectiveness of the deployment of this BTOP grant.

Results from the survey concluded that low-income, African-American computer and Internet usage in Lafayette falls well below the national averages in the United States. The national average of African-American computer use is 66% while Lafayette computer use is 61% and 57% for African-Americans and Creoles respectively. The national average of African-American Internet use is 67% while Lafayette Internet use is 51% and 40% for African-Americans and Creoles, respectively.

The program hopes to improve African-American adoption of computers and Internet by targeting 1,000 disadvantaged students from low-performing schools in the City and provide a total of 35,000 hours of training. Project goals include educating youth and increasing their academic performance by one letter grade. This proposal addresses the BTOP priority of providing "education, awareness, training, access, equipment and support to community anchor institutions, job-creating, strategic facilities, and vulnerable populations" by specifically targeting children and their families.

The main focus of this project is to educate and train students about computer technology and provide them access to Internet in homes. Students learn to assemble and understand the inner workings of a computer and how to use popular software on the computer, preparing them for future employment. In addition, students who participate in 35 hours of class instruction not only earn their own computer, but are more likely to value the technology and what it represents.

Once the computers are in the homes, the students have access to complete research for class projects, obtain access to online tutoring, visit test preparation sites, and actually take sample tests for the state or college preparation. The connectivity enhances the quality of their educational experience. The Lafayette Parish School Board also has a parent/student portal that allows families to access assignments, lessons and instructions posed by teachers via the Internet. Not only does the student have access, all of the family members in the home do as well. Therefore, the program creates a multiplying effect of additional members having broadband access.

Once these students become familiar with computers and Internet service, and understand the value, it becomes an essential part of their households. Similar to the advent of electricity and running water, Internet becomes a service they cannot do without.

From a community perspective, high-speed broadband access and connectivity are vital for economic growth, global competitiveness, education, innovation and creativity. Ensuring that all community members, regardless of socio-economic status have broadband access is important, especially when considering the

necessity for the use of technology in assessment, accountability, engagement, and readiness for work and life in the 21st century. Lafayette is unique in that is has a state-of-the-art fiber infrastructure waiting to be tapped.

**Post Hearing Questions for the Record**
**Submitted to Gordon Smith**
**From Senator Mary L. Landrieu, Chair**
**U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand Small Business Internet Access"*

April 27, 2010

(1) Does the National Association of Broadcasters (NAB) currently maintain data regarding how much spectrum each of your members own? Are your members actively utilizing the entire spectrum that they own?

Chairwoman Landrieu, thank you again for holding this extremely important hearing. As I stated during the hearing, local broadcasters are small businesses that rely on other small businesses in the community to survive and serve your constituents. It is imperative that Congress and the Senate Small Business Committee carefully examine the proposals included in the Federal Communication Commission's (FCC) National Broadband Plan (NBP) and ensure that they do no harm to the balanced communications ecosystem that presently serves all Americans.

To answer your question, as a legal matter, local broadcasters do not "own" the spectrum they use everyday to serve local communities with lifesaving news and emergency information and popular entertainment programming. Instead, broadcasters are granted a license to operate on the spectrum and use that license to provide free and valuable service to the public. As you are aware, that is a responsibility broadcasters take very seriously. With regard to specific spectrum data, NAB does not have records on the spectrum licenses held by our members.

In this new digital age, opportunities to reach your constituents -- our viewers -- are increasing every year. Currently, each local broadcaster is licensed to operate on one 6 MHz channel in a specific media market. In order to avoid interference to consumers' TV reception in neighboring markets, stations do not operate on the same channel. For example, if there was a channel nine in both Washington, DC and Baltimore, consumers living in Columbia, MD would be in the coverage area of both stations but would not be able to receive either because the signals from each station would interfere with one another. Thus, in any given market, not every channel in the band assigned to broadcast TV is occupied by a TV station. That spectrum may be used for other purposes, however, including such things as wireless microphones and other unlicensed devices.

Every broadcaster uses the entire 6 MHz channel assigned to them at all times. Transmission standards require a station to constantly emit 19.3 Megabits per second of data. In addition to their main program stream, local broadcasters in most markets are utilizing some of this data to offer new, exciting forms of content delivery such as

multicasting and mobile DTV. And local broadcasters are providing these new services despite the fact that the total amount of spectrum dedicated to television broadcasting was reduced by more than a quarter as a result of the digital transition. In other words, broadcasters are doing much more with much less.

NAB and our member companies support the goal of a vibrant broadband market in the United States. However, before making decisions that will affect every American, including, most significantly, those that cannot afford to pay for television, we believe it is imperative that Congress pass S. 649, a broad-ranging spectrum inventory.

(2) What impact will the cultivation of spectrum user fees, as referred to in the National Broadband Plan, have on have on small and large stations in Louisiana?

- Will these fees place undue stress on local news outlets that are currently struggling due to the economy?

Chairwoman Landrieu, you know better than most that small businesses are fighting tooth and nail to survive one of the greatest economic downturns in recent memory. Local advertisers are the lifeblood of broadcasters and specifically the news operations we run to keep your constituents updated with news and emergency information.

The NBP suggests the possible use of new "spectrum fees" that would operate as an artificial market mechanism to punish broadcasters that refuse to "voluntarily" give up their spectrum. Even a small spectrum fee would be a devastating blow to many local broadcasters, especially on the smaller stations in Louisiana. Spectrum fees are a crude tool for choosing winners and losers on the spectrum bands. To effectuate their end goal of forcing broadcasters to give up some or all of their currently licensed spectrum, the FCC could ratchet up spectrum fees until it becomes economically infeasible for broadcasters to remain on the band. Doing so, the FCC would bypass natural economic processes and substitute its judgment for the judgment of the marketplace without public participation. Even if new fees did not force broadcasters off the air, the impact would be devastating, particularly for stations struggling to finance news operations and other local services.

**From:** Manu K. Bhardwaj <MBhardwaj@ntia.doc.gov>
**Sent:** Monday, April 26, 2010 4:32 PM
**To:** Johns, Cheryl (SBC); Smith, Monisha (SBC)
**Subject:** FW: NEWS: Commerce Dept. and NTIA Announce Recovery Act Investment to Expand Broadband Internet
**Attachments:** 2010.04.23 -- FS_WA_Pend Orielle (FINAL).pdf; 2010.04.23 -- FS_DC et al_ One Economy Corp (FINAL).pdf; 2010.04.23 -- FS_ID_Digital Bridge_(3 awards - consolidated) (FINAL).pdf; 2010.04.23 -- FS_OK_PineTelephone (FINAL).pdf; 2010.04.23 -- FS_PR_CriticalHub (FINAL).pdf; 2010.04.23 -- FS_VA_Buggs Island Telephone Coop (FINAL).pdf; 2010.04.23 - FS_VA_CityofWilliamstown (FINAL).pdf
**Importance:** High

Hi Cheryl,

The Department is today announcing 9 BTOP awards totaling $114 million in grants. This represents the conclusion of Round 1. I have included here the 7 fact sheets (the 3 Digital Bridge awards are covered by 1 fact sheet).

These awards bring the Round 1 grand total to: 82 BTOP grants worth $1.2 billion, impacting a total of 45 states and territories.

Please feel free to call if you have any questions. **If possible, please forward this information onto your Committee staff.**

Thanks!

**Manu K. Bhardwaj**
**Office of Congressional Affairs**
**NTIA, United States Department of Commerce**
**1401 Constitution Avenue, N.W.**
**Washington, DC 20230**
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**FOR IMMEDIATE RELEASE**
April 26, 2010
*News Media Contact:*
*Shannon Gilson, (202) 482-4883, sgilson@doc.gov*

**SECRETARY LOCKE ANNOUNCES RECOVERY ACT INVESTMENTS TO EXPAND BROADBAND INTERNET ACCESS AND SPUR ECONOMIC GROWTH**

*Announcement Completes Round One of Commerce Department Recovery Act Broadband Funding*

WASHINGTON – U.S. Commerce Secretary Gary Locke today announced nine American Recovery and Reinvestment Act investments to help bridge the technological divide, boost economic growth, create jobs, and

improve education and healthcare across the country. The investments, totaling more than $114 million in grants, will increase broadband access and adoption in more than a dozen states. The grants will fund projects that lay the groundwork to bring enhanced high-speed Internet access to thousands of households and businesses and link hundreds of schools, hospitals, libraries, and public safety offices to the information superhighway.

"In a globalized 21st century economy, when you don't have regular access to high-speed Internet, you don't have access to all the educational, business and employment opportunities it provides," Locke said. "These critical Recovery Act investments will create jobs and lay the groundwork for long-term sustainable economic growth in communities across America."

The Department of Commerce's National Telecommunications and Information Administration's (NTIA) Broadband Technology Opportunities Program (BTOP), funded by the Recovery Act, provides grants to support the deployment of broadband infrastructure, enhance and expand public computer centers, and encourage sustainable adoption of broadband service.

Today's announcement marks the final grant awards from the first round of BTOP applications. All told, NTIA awarded 82 BTOP grants worth $1.2 billion that will expand broadband access and adoption through projects in a majority of states and territories. A total of 45 states and territories will be affected by this round of BTOP grants. NTIA recently began reviewing second round applications with the goal of making the first round two grant announcements this summer.

"The level of interest in this program has been extraordinary, and is yet another indicator of the critical role broadband plays in achieving durable, sustainable economic growth," Assistant Secretary for Communications and Information and NTIA Administrator Lawrence E. Strickling said. "I am proud of the grants we have awarded in the first round of funding. These are projects that will have a real, lasting impact on communities across the country."

*The following grants were announced today:*

**Multiple states: One Economy Corporation: $28.5 million** sustainable broadband adoption grant with an additional $23 million applicant-provided match to implement a comprehensive program of computer training, wireless Internet access, broadband awareness marketing, and online content and applications to residents of 159 affordable and public housing developments and low-income communities in 50 cities and towns across 31 states and the District of Columbia.
*States impacted by this grant are:* Alabama, Arkansas, California, Connecticut, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Massachusetts, Maryland, Michigan, Minnesota, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, Wisconsin.

**Idaho: Digital Bridge Communications: $1.9 million** broadband infrastructure grant with an additional $466,000 applicant-provided match to bring affordable wireless broadband service to rural, underserved communities in Cassia County, Idaho, including the towns of Albion, Burley, Declo, Malta, and Oakley. The project would expand Digital Bridge Communications' existing network by adding five towers, 46 miles of new fiber, and a nine-mile microwave link. The project also proposes to offer speeds of up to 3 Mbps using both fixed and mobile wireless technology, as well as directly connect approximately 25 community anchor institutions at no charge.

**Idaho: Digital Bridge Communications: $980,000** broadband infrastructure grant with an additional $246,000 applicant-provided match to bring affordable wireless broadband service to rural, underserved communities in Jerome County, Idaho, including the towns of Barrymore, Falls City, Greenwood, Haytown, Hunt, Hydra,

Jerome, McHenry, and Sugar Loaf. The project would expand Digital Bridge Communications' existing network by adding three towers, 15 miles of new fiber, and two microwave links. The expanded network intends to offer speeds up to 3 Mbps using both fixed and mobile wireless technology, as well as directly connect approximately 25 community anchor institutions at no charge.

**Idaho: Digital Bridge Communications: $1.4 million** broadband infrastructure grant with an additional $340,000 applicant-provided match to bring affordable wireless broadband service to underserved communities in Twin Falls County, Idaho, including the towns of Buhl, Burger, Clover, Deep Creek, Fairview, Filer, Godwin, and Hansen. The project would expand Digital Bridge Communications' existing network by adding eight towers, three miles of new fiber, and nine microwave links. This expanded network intends to offer speeds up to 3 Mbps using both fixed and mobile wireless technology, as well as directly connect approximately 25 community anchor institutions at no charge.

**Kentucky: City of Williamstown, Kentucky: $535,000** broadband infrastructure grant with an additional $134,000 applicant-provided match to deploy a high-speed fiber-to-the-home broadband network to unserved and underserved communities south of its existing network in Corinth, and north of its existing network to areas of Grant and Owen counties in northern Kentucky. The project intends to offer broadband speeds up to 10 Mbps and directly connect the three municipal organizations within the service area – Corinth City Hall, the Corinth Water District, and the Corinth Volunteer Fire Department – free of charge. In addition, the project expects to offer broadband Internet access for local consumers, including approximately 680 households and 20 businesses, and spur economic growth and job creation in the region.

**Oklahoma: Pine Telephone Company, Inc.: $9.5 million** broadband infrastructure grant with an additional $2.4 million applicant-provided match to deliver affordable wireless broadband service to underserved areas of Southeastern Oklahoma, including the Tribal lands of the Choctaw Nation and its 10 counties. The project intends to directly connect 20 community anchor institutions, including Choctaw Nation agencies, public schools, public safety agencies, fire and police departments, and a health clinic. The project's last mile network plans to offer broadband speeds ranging from 1 Mbps to 3 Mbps to as many as 7,000 households and 75 businesses.

**Puerto Rico: Critical Hub Networks, Inc.: $25.8 million** broadband infrastructure grant with an additional $6.7 million applicant-provided match to provide fast, affordable broadband connectivity for last-mile Internet service providers and underserved areas of Puerto Rico, including of the islands of Culebra and Vieques. The project plans to purchase a 10 Gbps undersea fiber-optic cable directly connecting to Miami and deploy more than 180 miles of terrestrial middle-mile microwave network using 11 towers. The network will offer speeds from 100 Mbps to 1 Gbps to anchor institutions, including more than 1,500 K-12 schools, and local Internet service providers.

**Virginia: Buggs Island Telephone Cooperative: $19 million** broadband infrastructure grant with an additional $5 million applicant-provided match to bring high-speed affordable broadband services to 15 underserved counties and the cities of Emporia and Franklin in South Central Virginia by expanding and enhancing its existing high-speed broadband and voice communications wireless network. The BIT Wireless project intends to offer wireless broadband at speeds of up to 10 Mbps to as many as 100,000 households, 14,800 businesses, and 800 community anchor institutions. In addition, the project will promote broadband adoption by discounting the cost of the equipment necessary to subscribe at home.

**Washington: Public Utility District of Pend Oreille County: $27.2 million** broadband infrastructure grant with an additional $6.8 million applicant-provided match to bring high-speed, affordable broadband to underserved areas of Pend Oreille County in northeastern Washington State, which borders Idaho and Canada. The proposed fiber-to-the-premises network would deploy approximately 526 miles of fiber-optic

cable to deliver last-mile broadband Internet services and facilitate critical network redundancy in this rural area. The project plans to offer affordable, high-speed broadband access to as many as 3,200 households, 360 businesses, and 24 community anchor institutions.

The American Recovery and Reinvestment Act provided a total of $7.2 billion to NTIA and the Department of Agriculture's Rural Utilities Service (RUS) to fund projects that will expand access to and adoption of broadband services. NTIA will utilize $4.7 billion of that funding for grants to deploy broadband infrastructure in the United States, expand public computer center capacity, and encourage sustainable adoption of broadband service. NTIA will announce all grant awards by September 30, 2010.

###

(*Fact sheets with further information about all BTOP grants are available on the NTIA web site here: http://www.ntia.doc.gov/broadbandUSA*)

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|---|---|
| **Organization:** | **Public Utility District of Pend Oreille County** |
| **Project Name:** | **Pend Oreille County Public Utility District (PUD) Broadband Network** |
| **Project Type:** | **Infrastructure** |
| **State(s):** | **Washington** |
| **Federal Award:** | **$27,257,838** |

## ABOUT THE PROJECT

The Pend Oreille County PUD Broadband Network project plans to bring high-speed, affordable broadband to underserved areas of Pend Oreille County in northeastern Washington State, which borders Idaho and Canada. The proposed fiber-to-the-premises network would deploy approximately 526 miles of fiber-optic cable to deliver last-mile broadband Internet services and facilitate critical network redundancy in this rural area. The project plans to offer affordable, high-speed broadband access to as many as 3,200 households, 360 businesses, and 24 community anchor institutions.

The Pend Oreille County PUD Broadband Network also proposes to:

- Stimulate economic development and growth in this economically distressed, low-density area of Washington State by improving access to high capacity, affordable broadband services.
- Enhance broadband capabilities for health care facilities, higher education institutions, and government offices.
- Provide wholesale service speeds from 10 Mbps up to 1 Gbps to other carriers and service providers, and retail speeds of 1 Mbps to 1 Gbps to households, businesses, and critical community facilities.

## ORGANIZATION'S HISTORY

Established in 1936, the Public Utility District of Pend Oreille County, Washington, produces hydroelectric power and distributes electricity to approximately 8,500 customers, and owns and operates nine District water distribution systems. The District also currently operates approximately 125 miles of fiber-optic backbone, stretching from Spokane to near the Canadian border, and has made excess system capacity available to the rural communities of Pend Oreille County. The District also provides advanced network services to anchor institution networks.

Data provided in the project description is based on information supplied by the applicant. An executive summary of this application can be found on *www.broadbandusa.gov*.

**For press-related inquiries,** contact 202-482-7002 or press@ntia.doc.gov. For the general public, contact BTOP@ntia.doc.gov.

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| **Organization:** | **Digital Bridge Communications** |
| **Project Name:** | **Last Mile Broadband for Underserved Portions of Cassia, Jerome, and Twin Falls Counties, Idaho** |
| **Project Type:** | **Infrastructure** |
| **State(s):** | **Idaho** |
| **Federal Award:** | **$4,206,984 (awarded as three grants: $1,852,197 for work in Cassia County, $994,134 for work in Jerome County, and $1,360,653 for work in Twin Falls County)** |

## ABOUT THE PROJECT

The Last Mile Broadband for Underserved Portions of Cassia, Jerome, and Twin Falls Counties projects plan to bring affordable wireless broadband service to rural, underserved communities in south-central Idaho. The projects intend to expand Digital Bridge Communications' existing network by adding a total of 16 towers, 64 miles of new fiber, and 12 microwave links. The project also proposes to offer speeds of up to 3 Mbps using both fixed and mobile wireless technology, as well as directly connect approximately 25 community anchor institutions at no charge in each county.

The Last Mile Broadband project also proposes to:

- Offer wireless broadband Internet service for as many as 20,000 households, 800 businesses, and 160 community anchor institutions.
- Enable robust and reliable broadband access for public safety entities, utilities, and other organizations with personnel operating in a mobile work environment.
- Provide opportunity for economic development and growth in the underserved areas of the counties that have limited access to affordable broadband services.
- Towns impacted in Cassia County include Albion, Burley, Declo, Malta, and Oakley. Towns impacted in Jerome County include Barrymore, Falls City, Greenwood, Haytown, Hunt, Hydra, Jerome, McHenry, and Sugar Loaf. Towns impacted in Twin Falls County include Buhl, Burger, Clover, Deep Creek, Fairview, Filer, Godwin, and Hansen.

## ORGANIZATION'S HISTORY

Digital Bridge Communications is a privately held, for-profit corporation formed in 2005 to provide fixed and mobile WiMAX broadband services. The company, with its headquarters and network operations center located in Ashburn, Virginia, currently offers service in 15 markets across six states, including five markets within Idaho, and has 22,500 customers nationwide, of which nearly 11,000 are in Idaho. The project is supported by The Region IV Development Association and includes a partnership with TeleWorld Solutions, a Small Disadvantaged Business (SDB), that will provide frequency design, mapping, and engineering services.

## PROJECT PARTNERS

- Alvarion
- Arise Virtual Solutions
- Cisco
- Syringa Networks
- TeleWorld Solutions (Small Disadvantaged Business)

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| **Organization:** | **Critical Hub Networks, Inc.** |
| **Project Name:** | **Puerto Rico Bridge Initiative** |
| **Project Type:** | **Infrastructure** |
| **State(s):** | **Commonwealth of Puerto Rico** |
| **Federal Award:** | **$25,829,178** |

## ABOUT THE PROJECT

The Puerto Rico Bridge Initiative plans to provide fast, affordable broadband connectivity for last-mile Internet service providers and underserved areas of Puerto Rico, including the islands of Culebra and Vieques, by establishing a broadband "bridge" to the United States mainland and deploying a high-capacity middle-mile network on the islands. The project plans to purchase a 10 Gbps undersea fiber-optic cable directly connecting to Miami and deploy more than 180 miles of terrestrial middle-mile microwave network using 11 towers. The network will offer speeds from 100 Mbps to 1 Gbps to anchor institutions and last-mile providers. More than 1,700 community anchor institutions are expected to be directly connected, including more than 1,500 K-12 schools.

The Puerto Rico Bridge Initiative also proposes to:

- Offer a 25 percent broadband discount to all K-12 schools to improve education and distance learning.
- Reduce the cost of transporting Internet traffic to the mainland United States and spur more affordable broadband Internet service for as many as 1.2 million households, 47,000 businesses, and nearly 2,200 anchor institutions on the islands.
- Support job creation and job opportunities, and enhance government services, by delivering high-speed broadband capabilities to anchor institutions.
- Establish a local peering point to keep Puerto Rico-bound Internet traffic on the islands, thus reducing associated transit costs and lowering broadband costs generally.

## ORGANIZATION'S HISTORY

Critical Hub Networks, Inc. has more than 15 years of experience as Puerto Rico's first Internet service provider. The Puerto Rico Bridge Initiative Steering Committee, consisting of eight members from the government, community anchor institutions, not-for-profit organizations, and Internet service providers, will govern the project while Critical Hub Networks will oversee planning and operations. The project involves several Small Disadvantaged Businesses.

## PROJECT PARTNERS

- AeroNet
- AWS
- AWV Communications, Inc.
- Ayustar
- Culebra Wireless Net
- Expert Networks
- PRW.Net
- Puerto Rico Department of Education
- VOZ de Puerto Rico

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| **Organization:** | **One Economy Corporation** |
| **Project Name:** | **21st Century Information and Support Ecosystem: Make It Easy Where You Are** |
| **Project Type:** | **Sustainable Broadband Adoption** |
| **State(s):** | **Alabama, Arkansas, California, Connecticut, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Massachusetts, Maryland, Michigan, Minnesota, Missouri, Nevada, Naw Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode island, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, Wisconsin** |
| **Federal Award:** | **$28,519,482** |

## ABOUT THE PROJECT

The 21st Century Information and Support Ecosystem project proposes to implement a comprehensive program of computer training, wireless Internet access, broadband awareness marketing, and online content and applications to residents of 159 affordable and public housing developments and low-income communities in 50 cities and towns across 31 states and the District of Columbia. The project plans to implement four principal programs: training 2,500 youth to become "Digital Connectors" who will then provide digital literacy training to others in their communities; deploying localized broadband networks in public housing developments; developing online content and applications aimed at low-income, low-literacy audiences.

The 21st Century Information and Support Ecosystem project also proposes to:

- Provide 2,500 youth with more than 50 hours of individual training, laptops, and financial resources and employ these "Digital Connectors" to help train 235,000 individuals through one-on-one teaching and group training.
- Deploy wireless mesh networks in 159 affordable and public housing developments to connect approximately 27,000 housing units to broadband Internet, and provide technical assistance and training to residents and property managers.
- Conduct surveys in target communities both before and after the program begins to assess effectiveness and measure subscription rates.

## ORGANIZATION'S HISTORY

Founded in 2000, One Economy Corporation has extensive experience deploying Internet access in public housing, providing digital literacy training, and creating relevant content for low-income communities. One Economy is the largest not-for-profit organization dedicated to promoting digital literacy and Internet adoption in the United States.

## PROJECT PARTNERS

- The Broadband Opportunity Coalition (comprised of the Asian American Justice Center, NAACP, National Council of La Raza, National Urban League, and League of United Latin American Citizens)
- Minority Media and Telecommunications Council
- National Association of Black Owned Broadcasters
- National Black Chamber of Commerce
- More than 160 corporations and not-for-profit, housing, and community organizations

Data provided in the project description is based on information supplied by the applicant.

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|---|---|
| **Organization:** | **Pine Telephone Company, Inc.** |
| **Project Name:** | **Broadband Grant for Isolated Southeastern Oklahoma/Choctaw Nation - Rural/ Non-Remote Areas** |
| **Project Type:** | **Infrastructure** |
| **State(s):** | **Oklahoma** |
| **Federal Award:** | **$9,472,078** |

## ABOUT THE PROJECT

The Broadband Grant for Isolated Southeastern Oklahoma/Choctaw Nation project plans to deliver affordable wireless broadband service to underserved areas of Southeastern Oklahoma, including the Tribal lands of the Choctaw Nation and its 10 counties. The project intends to directly connect 20 community anchor institutions, including Choctaw Nation agencies, public schools, public safety agencies, fire and police departments, and a health clinic. The project's last mile network plans to offer broadband speeds ranging from 1 Mbps to 3 Mbps to as many as 7,000 households and 75 businesses. The network uses 3G universal mobile telecommunications systems (UMTS) technology over both HSDPA (High Speed Downlink Packet Access) and HSUPA (High Speed Uplink Packet Access) deployed over a 32-cell site, last mile wireless network. Backhaul services will be connected via microwave wireless links using 29 new microwave links and 289 new microwave backbone miles.

The Broadband Grant for Isolated Southeastern Oklahoma/Choctaw Nation project also proposes to:

- Improve health care in the region by facilitating the transfer of real-time patient information among health providers.
- Support five public school districts serving more than 1,000 students.
- Enhance public safety for residents by providing free wireless broadband to first responder agencies that serve the area, and allowing them to mount communications equipment on project towers at no charge.

## ORGANIZATION'S HISTORY

Pine Telephone Company is family-owned and has built and operated communications networks in rural Oklahoma for nearly 100 years. The company currently manages a 238-mile fiber network and a 1,300-mile traditional telephone network, and has a wireless network consisting of 45 sites. Pine Telephone also is the largest provider of cellular telephone service in the area. The company is partnering with Peripheral Systems, Inc., a Small Disadvantaged Business, for security services for the project.

## PROJECT PARTNERS

- HealthCare Innovations
- Five public school districts
- Choctaw Nation
- Peripheral Systems, Inc.

Data provided in the project description is based on information supplied by the applicant. An executive summary of this application can be found on *www.broadbandusa.gov*.

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|---|---|
| **Organization:** | **Buggs Island Telephone Cooperative** |
| **Project Name:** | **BIT Wireless Broadband Initiative** |
| **Project Type:** | **Infrastructure** |
| **State(s):** | **Virginia** |
| **Federal Award:** | **$18,983,648** |

## ABOUT THE PROJECT

The BIT Wireless Broadband Initiative project plans to bring high-speed affordable broadband services to 15 underserved counties and the cities of Emporia and Franklin in South Central Virginia by expanding and enhancing its existing high-speed broadband and voice communications wireless network. The BIT Wireless project intends to offer wireless broadband at speeds of up to 10 Mbps to as many as 100,000 households, 14,800 businesses, and 800 community anchor institutions. In addition, the project will promote broadband adoption by discounting the cost of the equipment necessary to subscribe at home.

The BIT Wireless Broadband Initiative project also proposes to:

- Offer discounted rates to all critical community facilities and anchor institutions, including 73 fire departments and rescue squad facilities, and 47 police departments and sheriff offices.
- Provide enhanced telemedicine capabilities to healthcare professionals by providing a managed, private network that will securely transfer medical files and facilitate remote medical consultation.
- Deliver the bandwidth necessary to provide distance learning and live digital classroom experiences.

## ORGANIZATION'S HISTORY

The Buggs Island Telephone Cooperative, located in Bracey, Virginia was founded as in 1951 and has been providing telephone and broadband services to households in Southern Virginia for 59 years. The company currently operates a traditional wireline network and manages 18,000 telephone access lines in parts of Mecklenburg and Brunswick counties. It currently provides local, long distance, broadband and other communications services to more than 4,000 subscribers. It launched its wireless broadband service in an adjacent area of Virginia in early 2010. The match for the project is made possible by the Virginia Tobacco Indemnification and Community Revitalization Commission.

## PROJECT PARTNERS

- AirSpan
- Mid-Atlantic Broadband Cooperative
- Neonova Network Services
- Southside Virginia Community College
- Southside Planning District Commission
- Stutler Technologies

Data provided in the project description is based on information supplied by the applicant. An executive summary of this application can be found on *www.broadbandusa.gov*.

**For press-related inquiries,** contact 202-482-7002 or press@ntia.doc.gov. For the general public, contact BTOP@ntia.doc.gov.

Made possible by the Broadband Technology Opportunities Program

Funded by the American Recovery and Reinvestment Act of 2009

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|---|---|
| **Organization:** | **City of Williamstown, Kentucky** |
| **Project Name:** | **Deployment of Broadband to Corinth, Ky., and Other Areas in Grant and Owen County, Ky.** |
| **Project Type:** | **Infrastructure** |
| **State(s):** | **Kentucky** |
| **Federal Award:** | **$535,308** |

## ABOUT THE PROJECT

The City of Williamstown plans to deploy a high-speed fiber-to-the-home broadband network to unserved and underserved communities south of its existing network in Corinth, and north of its existing network to areas of Grant and Owen counties in northern Kentucky. The project intends to offer broadband speeds up to 10 Mbps and directly connect the three municipal organizations within the service area – Corinth City Hall, the Corinth Water District, and the Corinth Volunteer Fire Department – free of charge. In addition, the project expects to offer broadband Internet access for local consumers, including approximately 680 households and 20 businesses, and spur economic growth and job creation in the region.

The City of Williamstown project also proposes to:

- Stimulate economic development by providing high-speed broadband services to a planned housing, shopping, and industrial park in the area.
- Expand access to Internet-based advanced placement courses, college courses, and continuing adult education.
- Promote education by facilitating access to library information and research services, and homework assistance for school children.

## ORGANIZATION'S HISTORY

The City of Williamstown currently manages a 40-mile network which provides video, voice, data, and wireless services to the residents of Williamstown. The City has provided broadband services in the area since 2004 and has operated a cable television network for 25 years. It has also managed other utilities such as electric, water, and sewer treatment since the 1930s.

## PROJECT PARTNERS

- Corinth City Hall
- Corinth Volunteer Fire Department
- Corinth Water District

Data provided in the project description is based on information supplied by the applicant. An executive summary of this application can be found on *www.broadbandusa.gov*.

**For press-related inquiries,** contact 202-482-7002 or press@ntia.doc.gov. For the general public, contact BTOP@ntia.doc.gov.

**W. Kenneth Yancey, Jr.**
**Chief Executive Officer**
**SCORE "Counselors to America's Small Business"**

**Statement**
**to the**
**U.S. Senate Small Business Committee**
**U.S. Senate**
**April 27, 2010**

Chairwoman Landrieu, Ranking Member Snowe and members of the committee: my name is Ken Yancey and I am the chief executive officer of SCORE, the Service Corps of Retired Executives, also known as SCORE "Counselors to America's Small Business."

Thank you for the opportunity to offer this testimony about the new SCORE Broadband Consortium. I represent SCORE and the 12,800 volunteer counselors who donate their time and expertise to serve America's entrepreneurs.

SCORE fulfills a vital role for America's small business owners and aspiring entrepreneurs by providing much needed technical assistance. SCORE has a proven track record of both creating and saving jobs by improving small business survival rates and accelerating small business formation. Research shows that small businesses are five times more likely to start if they get assistance from a government supported program such as SCORE.

At a cost of just $29 per client and $200 per job, SCORE is the most cost effective SBA program nationwide for fostering job creation. With just $7 million, SCORE helps create 25,000 new jobs each year, or one for every seven new clients and creates 19,732 new businesses per year.

SCORE has helped more than 8.5 million people since it was founded 45 years ago. In FY 2009, SCORE helped 378,157 people through its mentoring and workshop programs, an increase of five percent over the previous year. SCORE volunteers donated more than 1.2 million hours of service. Congressional funding and support of SCORE makes this possible.

In 2009, SCORE adopted a new goal of creating 1 million successful small businesses across our nation and established a new business plan to help ensure all off our efforts are aligned towards this very important goal. The new public / private consortium aligns with this effort and will help extend SCORE's valuable services to aspiring and existing business owners.

**SCORE Takes Action to Support FCC Broadband Plan**

On Tuesday, March 16, the Federal Communications Commission (FCC) released the country's first national broadband plan, with the goal of bringing broadband service to all Americans.

Within 30 days, SCORE began working with the U.S. Small Business Administration (SBA) and FCC to create a public/private consortium to help small businesses adopt and leverage broadband technologies to enhance business performance.

Together with the SBA, FCC and leading supporters, SCORE will provide resources to help educate small businesses on their high speed internet options and how to leverage broadband applications effectively. Broadband offers significant opportunities for both aspiring entrepreneurs and for existing businesses by enabling small businesses to achieve operational scale relatively quickly and also reduce start-up costs by speeding business registration and expanding access to customers and suppliers.

According to the Small Business Administration; less that 57 percent of small businesses use the Internet. Out of those that use the Internet, 39 percent lack even a basic website.

"Without broadband, our time was spent in utter frustration and total inefficiency. Broadband access is as basic as electricity and running water," says Emily McHugh, co-owner of Casauri in Fort Pierce, Fla. "I firmly believe that every small business should have broadband access."

Broadband enables so many opportunities for small businesses that were either cost prohibitive or impossible before. The result of these applications when properly applied; include increased sales, revenue and productivity. For example, broadband technologies can enable entrepreneurs to build web sites with e-commerce functionality that allow for online sales.

Approximately 60 million Americans go online every day to find a product or service, but less than a quarter of small businesses use e-commerce applications to sell online, according to the report. Many small businesses lack information about making the best use of technology, foregoing potential growth opportunities. The new public/private partnership led by SCORE will change that.

**SCORE Rallies Public and Private Partners to the Plan**

The SCORE Broadband Consortium is the first-ever public/private partnership designed to address the issues of digital literacy and broadband adoption / use for U.S. small businesses. SCORE agreed to lead the new consortium because it

believes that broadband technologies are and will be a significant driver in ensuring that America's small business sector remains nimble and competitive.

Fortune 500 Companies and leading technology firms believe in the new consortium. SCORE thanks the founding members of the consortium for their support: FCC, SBA, AT&T, Best Buy, Cisco, Constant Contact, Google, HP, Intuit, Microsoft, Skype and Time Warner Cable Business Class. Other supporters include DRT Strategies and Engage.

Thanks to these leading corporations who generously donated $1.125 million dollars to support this effort, SCORE will begin enhancing its program in order to provide direct counseling and training to small businesses on broadband adoption and applications. SCORE will deliver the program through three primary components. The first of these components is the development of a series of standard counseling guides and workshop materials that local SCORE counselors can use across the country to counsel and train entrepreneurs on broadband applications. Second, SCORE will train and certify counselors on specific broadband applications (e.g. online marketing) and create counselor verticals as a way to leverage its entire volunteer base across the US in order to best assist our clients. Third, SCORE will enhance its recruiting efforts to attract new volunteers that have experience and backgrounds related to broadband technologies.

The private founders of the consortium will provide expertise and existing content in the development of the program and will also identify opportunities for how to make hardware, software and professional services available to small businesses.

Today, SCORE is in discussions with a number of organizations that will join the consortium as education partners, as a way to expand the reach of the program. First and foremost, SCORE is working with SBA's Women's Business Centers in making sure that the content and programming being developed for the SCORE network will also be made available to over 100 WBC's across the United States, which will reach approximately 155,000 entrepreneurs.

Additionally, SCORE is in early discussions with the IEEE, the world's largest professional association for the advancement of technology, in evaluating how the society can help SCORE recruit from its existing membership base of 189,000 individuals.

The ultimate goal of the consortium is to make a long and lasting difference in how small businesses are adopting and using broadband technologies. SCORE welcomes its new educational partners as a way to ensure that this program's benefits can be extended into all communities across the United States.

**Small Businesses Benefit from Broadband Technology**

Broadband connectivity is critical for business success in today's marketplace. We want to make it easier for small businesses to access this technology to leverage e-commerce, expand marketing and increase social networking online.

The Bureau of Labor Statistics forecasts that jobs depending on broadband and information and communication technologies will grow by 25 percent from 2008–2018, 2.5 times faster than the average across all occupations and industries.

Currently, about 75 percent of small businesses do not use social networking tools such as LinkedIn or Facebook, and 90 percent do not have company blogs. Small businesses can clearly benefit from using broadband as a conduit to online tools. Based on a survey by McKinsey, 68 percent of businesses using web-based technology boosted the speed of their access to knowledge, 54 percent saw reduced communications costs and 52 percent saw increased marketing effectiveness.

"Broadband is not a luxury, it is essential for my business. Broadband also allows me to reach customers around the world, conduct web conferencing and keep an eye on my competition," says Dr. Yamile Jackson, founder of Zakeez in Sugar Land, Texas. "It allows me to save time, compare prices and create efficiencies."

**Broadband Consortium Supports Small Business Success**

This year, SCORE will expand outreach to help more entrepreneurs learn how they can use broadband technologies as a key part of their growth strategy.

Small businesses will benefit from:

- Free information on digital literacy
- Free mentoring from mentors with backgrounds on various broadband applications
- Expanded selection of local training courses related to leveraging broadband technologies for business success
- Free online webinars
- Regional training events to introduce broadband to small businesses.
- Free online how-to materials and tools with tips and strategies for e-commerce and high speed success.

SCORE will host the first consortium meeting in early May. SCORE and its partners will begin developing the content and programming that will roll out nationwide over the next 12 months.

We will educate entrepreneurs about the benefits of broadband, provide free and affordable resources to help educate and mentor small businesses on how they can get online and leverage the many tools that can help make small businesses

more profitable and efficient.

"We use broadband for our office, social media, web site editing, email blasting, reservation system and our point of sales systems. The speed of the network helps us operate efficiently to meet the ongoing demands of both customers and vendors," says Matt Gordon, co-owner of Urban Solace in San Diego, Calif. "We are able to grow as a business without moving our focus away from our core business."

Chairwoman Landrieu, Ranking Member Snowe and members of the committee: Small business is the lifeblood of our economy, not only as a critical driver of economic recovery for our nation today, but also as the primary source of new jobs and businesses for the future of our nation.

SCORE and its partners are leading the way to provide small businesses in our nation the right tools, education and guidance to ensure their ultimate success and the success of small business in our country.

We're very excited about the new capabilities that SCORE will be offer as a result of the broadband consortium, but would also like to ask Congress to expand its support of the SCORE program to ensure that we can continue to offer the program on an ongoing basis. While private donations will provide the needed impetus to start the program, SCORE relies on Congressional funding to ensure that the program thrives as a long-term resource for small businesses across our nation.

I would be pleased to answer any questions you may have. SCORE appreciates the support of this committee and your personal support of SCORE. Thank you again for this opportunity to testify.

Respectfully submitted,
W. Kenneth Yancey, Jr.
Chief Executive Officer
SCORE Association

**Cameron Communications Statement on the ARRA**
**For**
**United States Senator Mary Landrieu**
**Chair of the Senate Committee on Small Business and Entrepreneurship**
**April 20, 2010**

Cameron is a small Broadband Communications business operating in rural parishes throughout Louisiana and as such has distinctly different challenges than larger companies operating in the State. Specifically, personnel cost and benefits represent a larger percentage of operational cost due to the remote location of facilities needed to serve consumers and the remote location of the consumers themselves. Access to middle mile providers for interconnection with larger carriers and cost of content needed, may range from 40% to 70% of operations since small businesses lack the scale and size to negotiate rates based on volume. Additionally, the capital required to provide advanced services to rural consumers may be from five to ten times greater than that of larger businesses. Small businesses are a significant part of the economic base of the rural communities they serve and as such become vital to the success of rural life in Louisiana.

The American Recovery and Reinvestment Act awards allow small businesses like Cameron access to much needed capital to expand a broadband footprint throughout rural Louisiana. Operational costs for small businesses will continue to challenge profitability and ultimately quality of service to rural consumers in Louisiana. We are thankful to Senator Landrieu for her support of this program.

**Cameron Telephone Company Statement on the National Broadband Plan**
**For**
**United States Senator Mary Landrieu**
**Chair of the Senate Committee on Small Business and Entrepreneurship**
**April 19, 2010**

Small broadband providers support Congress and the FCC's efforts to develop a National Broadband Plan (NBP) to help our Nation become the envy of world in how we use our broadband networks to support economic growth, strengthen national security, enhance public health and safety, and expand education and learning opportunities throughout all parts of the United States. To make these goals a reality, however, the FCC in the coming months and years must take into consideration the unique circumstances, challenges and burdens faced by small broadband providers serving rural, high-cost communities throughout America. We therefore recommend that the FCC use the Regulatory Flexibility Act (RFA) (5 U.S.C. Section 601 *et seq*) and adopt alternative rules to reduce the economic burden on small providers of broadband Internet access service, such as rate-of-return (RoR) local exchange carriers (LECs).

The proposed National Broadband Plan submitted to Congress on March 16, 2010, by the Omnibus Broadband Initiative (OBI) Task Force falls short in identifying the economic difficulties faced by small broadband providers and fails to propose specific recommendations as to how the FCC should address these obstacles. The Regulatory Flexibility Act (RFA) requires the FCC to consider alternatives for small businesses, which may include an exemption from coverage of a rule, or adopting a separate set of rules for small entities, such as small broadband providers (5 U.S.C. § 603). The RFA also requires the FCC to prepare a final regulatory flexibility analysis which must contain a description of the steps the Commission has taken to minimize the significant economic impact on small entities (5 U.S.C. § 604).

We urge the FCC to take into consideration and incorporate in its RFA analysis the National Telecommunications Cooperative Association's (NTCA's) recommendations filed in with the FCC in GN Docket No. 09-51, which take into consideration the unique burdens faced by small broadband providers and proposes a separate set of rules that will lessen the significant economic impact on small broadband providers concerning potential reforms on high-cost universal service fund (USF) support and inter-carrier compensation (IC) associated with the proposed National Broadband Plan.

To address the major concerns faced by small broadband providers, NTCA specifically recommends the FCC take the following actions and adopt the following rules as part of its final National Broadband Plan:

1. Include "broadband Internet access service" in the definition of "universal service."

2. Reclassify wireline and cable "broadband Internet access service," as "telecommunications service" regulated under Title II common carrier regulation.

3. Open a proceeding to define and identify "Market Failure Areas" throughout the United States and target these areas for future high-cost broadband USF support in order to ensure consumers living in these areas have access to affordable and comparable broadband service.

4. Define a "Market Failure Area" as an area that does not have the population base or economic foundation for any provider to justify broadband facilities build-out and ongoing maintenance without external monetary support.

5. Include ongoing operations and maintenance expenses, in addition to construction cost, in the calculation of the future high-cost broadband USF support.

6. Include Internet backbone and special access (middle-mile and second mile) transport service costs in the calculation for determining future high-cost USF broadband support.

7. Expand the base of USF contributors to include all retail broadband Internet access service providers

8. Transition all high-cost voice USF support to high-cost broadband USF support over a reasonable time period to avoid rate shock, prevent service disruptions, and provide stability and certainty to broadband providers and consumers during the transition.

9. Maintain existing rate-of-return regulation for small providers throughout the transition period and allow small rural providers to base their high-cost USF support on each carrier's study area average costs to ensure affordable and uninterrupted broadband Internet access service to rural, high-cost consumers.

10. Implement a specific rule that requires interconnected voice over Internet protocol (VoIP) traffic to pay applicable tariffed originating and terminating interstate access rates, intrastate access rates, and reciprocal compensation rates once it touches the public switched telecommunications network (PSTN) throughout the transitional period and/or until such time as there is no longer a PSTN.

11. Implement intercarrier compensation (IC) reform as part of the National Broadband Plan by allowing carriers to reduce voluntarily, on a company-by-company basis, intrastate originating and terminating tariffed access rates to interstate tariffed access rate levels within 5 years, and at the same time freeze interstate originating and terminating access rates in order to keep interstate access rates from increasing. As part of IC reform allow RoR carriers to recover lost access revenues not recovered in end-user rates through supplemental Interstate Common Line Support (ICLS).

12. Establish reasonable and non-discriminatory pole attachment rates for broadband pole attachments to encourage and accelerate broadband deployment.

During the last 20 years, small rural carriers have invested in rural, high-cost and insular areas in the United States based on a system of rate-of-return (RoR) regulation, National Exchange Carrier Association (NECA) pooling, intercarrier compensation (IC) and rural high-

cost universal service fund (USF) support. This existing regulatory structure has allowed the FCC to meet its Congressional mandate to ensure rural consumers access to communications services at prices that are affordable and comparable to services and prices received by urban consumers.

Small carriers throughout the country continue to respond aggressively to the technological and financial challenges of today by rapidly transforming the traditional PSTN into dynamic Internet protocol (IP) broadband-based consumer-oriented communications network. This response is natural for community-based small providers that have a long history of taking their service quality responsibilities seriously. Universal service will play an integral role in helping small providers meet current and future broadband challenges.

The high-cost USF mechanisms will be vital in establishing the necessary cost recovery that must flow to those providers committed to providing broadband in the Nation's most economically challenging areas. The highest priority in the FCC's National Broadband Plan must center on strengthening and preserving our universal service policies in a manner that restates the underlying program's value in an IP world. The current $7.2 billion contained in the American Recovery and Reinvestment Act (ARRA) broadband stimulus package and existing levels of high-cost USF support are woefully insufficient to meet the Nation's growing broadband needs.

The Free Press estimates that to build broadband infrastructure to the approximate 7-9 million unserved households in the United States today it will cost $14-$45 billion.[1] This estimate does not take into consideration the cost of upgrading and maintaining the Nation's existing broadband infrastructure to provide the next generation (10+ Mbps capability) broadband services to all American consumers similar to what other developed countries currently provide to their consumers. Moreover, the cost per line, upon which the total estimate was based, appears to be significantly lower than the actual investment per line experienced by small broadband providers.

The FCC must acknowledge the undeniable fact that in order to provide comparable affordable broadband to all Americans and elevate the United States broadband ranking worldwide, high-cost USF support must increase and the pool of USF contributors must include all broadband Internet service providers. To ensure the goal of a viable and open public Internet with high-quality, affordable and comparable high-speed broadband service to all consumers, the FCC must focus on providing sufficient, sustainable, and predictable USF support for broadband services throughout the "highest-cost areas" in the United States. NTCA's recommendations, if adopted, will ensure the FCC achieves this goal.

Thank you very much for this opportunity to share our views on the proposed National Broadband Plan.

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[1] *Dismantling Digital Deregulation: Toward a National Broadband Strategy,* by Derek Turner, Free Press, March 2009, p. 102.

**Introductory Remarks**
**Jim Geiger**
**Founder, Chairman, President and CEO of Cbeyond, Inc.**
**December 21, 2009**
**Federal Communications Commission**
**Field Hearing on Small Business and Broadband**

Good afternoon. I'd like to start by thanking Chairman Genachowski for inviting me here today. From the day of his appointment, the FCC has approached the issues before it in a disciplined, pragmatic way that favors ideas that will actually work over political expediency, and we deeply appreciate it.

So here we are today to talk about broadband and small business, an issue I know a lot about because my company, Cbeyond, provides an integrated package of broadband and broadband applications to more than 48,000 small businesses across the country including many thousands here in Chicago.

With the unemployment rate hovering around 10 percent and our economy still seemingly mired in recession, it is a great time to be taking up this subject because it is far from a minor issue. Small businesses inject almost a trillion dollars into the economy each year. They have created more than ninety-three percent of all new jobs over the last twenty years and employ more than half of the U.S. workforce. In short, if we are going to get our economy off the shoulder and back into the fast lane, the process has to start with small business.

So what can the FCC do to help? It's simple, really: the FCC can quickly adopt a few sensible rule changes that will unlock the job-creating potential of broadband businesses and drive market-based investment in innovative technology, all without further deficit spending or increases to the national debt. Call it a "cashless stimulus."

Sound too good to be true? It's not. Let me explain.

First, the existing problem is not that small businesses lack some level of access to broadband. Broadband in-and-of-itself is simply not enough. What *really* matters to America's small businesses are the applications that are delivered *over* that broadband. And this is where the FCC can help.

Today, the big phone companies are the only ones with access to the fattest broadband pipes, but they are focused on the residential consumer market and large enterprise customers. This leaves small businesses out in the cold because the companies best able to build innovative applications for small businesses are unable to access the bandwidth necessary to deliver those applications.

If you doubt this, think back to 1996. That was the year Congress enacted far-sighted legislation that promoted competition in the telecom markets, and that action drove years of investment, innovation and growth across our industry. But the age of innovation and investment in broadband technology ended several years ago when the prior Administration adopted rules that had the perverse effect of locking small business-focused competitors into old T-1 connections and the older broadband technologies that can be delivered over them.

That's the bad news. The good news is that there's a simple fix that's almost without cost. Under your leadership, Mr. Chairman, the Commission should require the Bell monopolies to sell – at retail prices – the bandwidth necessary for competitors like Cbeyond to provide next generation broadband applications to small businesses and

thereby begin a new cycle of innovation benefitting small business. A "cashless stimulus" that would really work.

New broadband rules like these would allow small businesses to experience the efficiencies of cloud computing, offsite data security, high-resolution video conferencing and many, many other sophisticated applications. In fact, one of these small businesses and one of Cbeyond's Chicago customers is here today; many of you have already been able to enjoy their products.

Since 2005, Cbeyond's integrated package of broadband applications has helped fuel the phenomenal growth of Kim & Scott's Gourmet Pretzels. We've been with them as they've grown, and we like to be able to provide them with the cutting-edge broadband applications of the future that will help them continue to grow. If the rules we have proposed were adopted, this could happen: the telecom companies providing broadband to small businesses would gain access to the bandwidth necessary for true innovation while the Bell companies would sell more bandwidth at the same prices as they sell to any other customer. This, truly, is a solution where everybody wins.

It's time we took advantage of the one approach to economic recovery that doesn't come with a long-term economic cost. Unleashing the broadband capacity that is being monopolized by the Bells by adopting a "cashless stimulus" will create an immediate cycle of investment and innovation and allow America's small businesses, in turn, to unleash their power as the job growth engine of this economy.

Cox Greater Louisiana
7401 Florida Blvd
Baton Rouge, Louisiana 70806
225.237.5000 tel 225.930.2440 fax
cox.com/greaterlouisiana

May 11, 2010

Senator Mary Landrieu
328 Hart Senate Office Building
Washington, DC 20510

Senator Olympia Snowe
154 Russell Senate Office Building
Washington, DC 20510

Dear Chairwoman Landrieu and Ranking Member Snowe:

During its April 27th hearing on efforts to expand broadband to small businesses, the Senate Small Business Committee heard testimony from an official from the Lafayette Utility System (LUS) regarding its municipal broadband network. Because of the commitment by Cox Communications Louisiana, LLC (Cox) to serve small businesses in Lafayette and our other service areas in Louisiana, we feel it necessary to paint a broader picture of the Lafayette broadband market, and to detail Cox's efforts to provide private sector solutions to businesses who see broadband as an integral part of their future.

**Lafayette's residents and businesses are well-served by Cox's broadband network.**

Since 1980, when Cox entered the Louisiana market in New Orleans, Cox has spent billions of dollars to expand our operations. We extended our service area to Baton Rouge and Lafayette – areas that were previously underserved – and improved our networks to add high-speed internet to our service offerings. We continue to invest heavily today. For example, over the last five years, Cox has invested over half a billion dollars in its Louisiana Fiber Optic Network to provide the infrastructure for economic development in residential and business areas. We've also invested over $12 million since 2006 to expand our commercial fiber infrastructure in Lafayette.

Cox first provided services in Acadiana and Lafayette in 1999 (when it purchased the system from TCA Cable), and now, Cox can provide broadband to any citizen or business in Lafayette who wants access to our services. Additionally, Cox has committed to bringing the same level of service to all businesses in Acadiana – whether in urban centers like Lafayette or in rural communities, whether large or small.

We've achieved this by consistently investing in improving and expanding our network infrastructure. Cox has over 20,000 miles of glass fiber in the city of Lafayette and more than 60,000 miles of glass fiber in our six-parish Acadiana service area (including rural and urban segments of Acadia, Iberia, Lafayette, St. Martin, St. Mary and Vermilion parishes). Our infrastructure includes a fully redundant fiber ring in Lafayette and a regional fiber ring that connects Lafayette with Baton Rouge and New Orleans.

FSC Mixed Sources

In harmony with the Cox Conserves eco-friendly program, we are proud to print on Forest Stewardship Council-certified paper.

Our regional fiber network, which connects to Cox's national fiber backbone, is the largest commercial fiber network in South Louisiana and, importantly, was built with Cox's own private investment.

Our business-focused division, Cox Business, has offered high value telecommunications services to Acadiana businesses of all sizes since our first days in the Lafayette market. Utilizing our fiber network, Cox has been the only provider in Acadiana to offer a complete business solution including voice, video, and data services. Our Extendable Optical Network now allows Cox to offer broadband speeds at least comparable and oftentimes faster than those offered by any other provider in Lafayette. Moreover, we offer businesses scaled broadband options tailored to their needs, with downstream speeds of up to 10 gigabits per second. Our investments allow us to provide Fiber Transport Services that directly connect businesses to regional customers throughout Acadiana and the South Louisiana region, as well as to our nation-wide fiber backbone.

Acadiana's businesses have responded positively to our service offerings. In just over 10 years, Cox Business has grown to provide high-speed Internet, voice, and commercial video services to more than 6,000 Acadiana companies – the vast majority of which are small businesses. As a result, Louisiana's Cox Business, which serves 17 parishes, including the metropolitan areas of Baton Rouge, Lafayette and New Orleans, has ranked as the fastest growing service area within Cox for three of the last five years.

**Private investment has, and will continue to be, the fuel for economic growth.**

As one of Louisiana's largest employers with over 1,820 local employees and an annual economic impact of over $1.34 billion, we share your commitment to growing the economy of Louisiana. We are especially focused, like you, on growing the small business sector of the economy, and Cox is committed to providing the communications infrastructure necessary to fuel continued economic growth in Acadiana.

Cox provides the fiber-optic and coaxial infrastructure essential to the technological development of the Acadiana economy. From 2006 through 2009, Cox's capital expenditures averaged $18.9 million per year in Acadiana alone. Combined with the daily impact of our six-parish Acadiana operations, Cox's Acadiana system will generate an estimated economic impact of over $300 million in business activity, over $80 million in personal earnings including its own payroll and contract labor, and the creation and support of over 2,500 jobs including the jobs directly associated with Cox.

Given the importance of broadband technology to the national, state, and local economies, we believe that the economic significance of private broadband investment to local communities will be even greater in years to come. The best way to achieve the goal of affordable access to broadband by small businesses – and to encourage private investment in Louisiana's broadband infrastructure – is by fostering a fair competitive environment. Cox's experience in Louisiana suggests that, despite claims to the contrary by the representative from LUS, the ability of states to monitor and, where appropriate,

protect against potential anti-competitive behavior by municipally-operated broadband networks is an important factor to ensuring a healthy broadband marketplace. Careful state regulation can enable public broadband networks to develop appropriately without discouraging private broadband investment in those markets.

We thank you for the opportunity to offer more context on the Lafayette market into the Committee's record. We would be happy to discuss this and other issues related to broadband access at greater length at any time, either with committee staff or in an appearance before the committee.

Sincerely,

Jacqueline D. Vines
Senior Vice President and General Manager
Cox Louisiana

April 26, 2010

The Honorable Mary L. Landrieu

Chair, Senate Commerce Small Business Committee

US Senate

328 Hart

Washington, DC 20510

Dear Honorable Mary L. Landrieu,

I understand that the Small Business and Entrepreneurship Committee is holding a hearing on April 27 on small business Internet access. As the Director of Community Relations and Product Development for employee-owned Eagle Communications, Inc., I assure you that our company is committed to giving the businesses and residents in the communities we serve quality and affordable services. The future of our company depends on it.

Attached are just a few letters from our local small businesses about the value of our broadband service to their business.

Sincerely,

2703 Hall Street, Suite 13 • Hays, KS 67601 • Phone 785-625-5910 • Fax 785-625-3465 • www.eaglecom.net

*"An Employee Owned Company"*

Travis Kohlrus

Director of Community Relations and Product Development

Eagle Communications, Inc.

cc: Senator Sam Brownback

Senator Pat Roberts

2703 Hall Street, Suite 13 • Hays, KS 67601 • Phone 785-625-5910 • Fax 785-625-3465 • www.eaglecom.net

**HUTCHINSON/MAYRATH**

*A Division of GLOBAL Industries, Inc.*

I am writing on behalf of Eagle Communications to relate that they, Eagle, have been a key partner for Hutchinson/Mayrath in Clay Center Kansas.

We have been using their Broadband services now for almost four years, which means almost all of the time that Eagle has owned the cable system here in town. We were using a wireless Internet connection at the time that was both slow and expensive. Eagle transferred us to a more reliable Cable Internet connection and gave us their highest available speed for a very affordable price and also helped us by hosting our email and Website domain in their secure facility in Hays.

We have had good customer service from Eagle and when they built their Fiber system here in Clay Center, they worked with us to grow our speed again and at a very affordable price. We consider Eagle Communications to be our Broadband partner and know that they will be working with Hutchinson/Mayrath to help us grow our business here in Clay Center.

Sincerely yours,

Dan Hilton

Dan Hilton

Corporate IT Manger

Global Industries

514 W. Crawford St., PO Box 629, Clay Center, KS 67432

785-632-2161 ♦ 800-523-6993

MEDICAL
BUSINESS
RESOURCES, INC.

P.O. BOX 368
HAYS, KS 67601-0368
785-625-6449 • FAX 785-650-0671 EXT. 110

April 23, 2010

To whom it may concern:

My name is Allen Roth; I own a small business in Hays Kansas, a town of twenty thousand residents. My business requires high speed communications to provide services to our customer base. I want to express my appreciation of Eagle Communications and the technology this company provides to the community.

The Hays community is very fortunate to have a company like Eagle Communications that has invested money to build and maintain a broadband connection which is available to my company at an affordable price. Without Eagle Communications broadband connection my business would be limited to DSL communication with its questionable dependability. "Up time" is a very critical component to the services my company provides to our customer base. We deal with the same problems and outside influences that large cities do and with the Eagle Communications broadband service my business is on the same playing field as the companies I compete with in large cities. Eagle Communications broadband connection provides me the tools I need to be competitive in the market place.

Eagle Communications and the services it provides is a valuable asset to our community.

Thanks,

Allen P. Roth

Allen P. Roth
President, Medical Business Resources, INC.

**STATEMENT OF DANIEL TYDINGCO**
**EXECUTIVE VICE PRESIDENT, EXTERNAL AFFAIRS, GTA TELEGUAM**

**BEFORE THE U.S. SENATE COMMITTEE ON**
**SMALL BUSINESS AND ENTREPRENEURSHIP**
**CONCERNING "CONNECTING MAIN STREET TO THE WORLD: FEDERAL EFFORTS TO EXPAND SMALL BUSINESS INTERNET ACCESS"**

**April 27, 2010**

Chairwoman Landrieu, Ranking Member Snowe, and members of the Committee, on behalf of 325 locally rooted Americans who live and work 9,000 miles away in the westernmost soil of our nation, on the island of Guam, I want to thank you for the opportunity to submit official testimony in this hearing, on their behalf and for our company.

Five years ago, Shamrock Capital Advisors, a California-based private equity firm founded as the Roy E. Disney Family investment company, and GE corporation, provided financial backing to GTA Teleguam and procured the nation's last government owned and operated telephone company--the Guam Telephone Authority. We retained and hired local managers and staff to oversee and operate that newly privatized entity.

Our company took the risk and opted to make the investment in a climate that promised full and fair competition among a number of capable market players.

Since that time, competition has flourished. As small as Guam is in geographic area, there are presently four wireless carriers on Guam offering advanced wireless technologies, three Competitive Local Exchange Carriers, two pay TV companies offering 'quad play' bundles, and one Incumbent Local Exchange Carrier as a provider of last resort. All these privately owned companies have incentive to innovate and improve service or risk market share.

As a result of this vibrant competition, Guam today has one of the most extensive and advanced telecommunications networks in the United States. Our island is one of the most connected places on earth with 12 submarine cables linking Guam with the rest of the world and three cable landing stations that allow local interconnections for alternate cable routing and diversity.

Further, a number of fiber rings across the island enable Ethernet and other high-speed broadband services. With this infrastructure and other broadband investments made by the several operators on the island, the schools, libraries, village community centers and government buildings on the island already have access to high-quality, high-speed broadband access.

According to the Federal Communications Commission, about 90% of all Guam homes and businesses already have broadband access via DSL or Cable. It is my understanding that only four other states and territories in the entire country have broadband penetration rates higher than Guam.

GTA TeleGuam alone has invested about $75 million over the past 5 years, both as a requirement in the Asset Purchase Agreement between its parent company and the Government of Guam when the Guam Telephone Authority was privatized, and as a strategic investment for the benefit of our customers. Other communication carriers on the island have also made new, private investments in their networks to innovate and effectively compete in this market.

We are proud to be a part of this competitive advanced communications landscape in Guam--serving and competing with others to serve all our community anchor institutions: schools, hospitals, university, community college, public safety entities, all government operations, island businesses, homeowners and residents with ample, robust broadband capacity and bountiful long distance services, cellular services, and video.

In the past five years on Guam, rates have been steadily declining for long-distance and wireless calling as well as Internet access and pay television service. Competitors are introducing new products and services more quickly and overall customer satisfaction levels are on the rise. This has benefitted business customers which are the fuel for healthy commerce.

We applaud the goals of the American Recovery and Reinvestment Act and the National Broadband Plan to ensure that all un-served and under-served communities receive the needed funding to develop state-of-the-art broadband networks. But we are concerned that such funds, if channeled to communities or recipients where they are not needed, could have a disruptive effect on the businesses and companies already established there.

We believe that if grants can be used to overbuild what is already in place, then that gives an unfair advantage and competitive edge to the recipient of those funds, adversely impacting the current flourishing telecommunications landscape.

Further, we believe that funding that supports an overbuild and thus "tilts" the competitive playing field could have extreme and adverse repercussions for future investments and employees at island telecommunications companies, and would be counter to the policy enacted by Guam to promote a competitive landscape.

As the Committee evaluates and considers what it must do to ensure that community and small business needs for broadband are best served as part of the larger National Broadband Plan and other network funding initiatives, we respectfully request that safeguards be put into place to protect and promote private investments made in this critical infrastructure for our nation. We further ask that there be a singular focus on the level of need throughout each community based upon the infrastructure already in place, and that overbuild of infrastructure not be allowed where it is clear that that the entire community, across all sectors, already enjoys ample and robust access to broadband.

On behalf of our company, we ask for this fair shake, and that you and the regulators and agencies charged with promoting broadband deployment avoid unintended disruption or consequence on well-functioning markets. This must be viewed as a critical part of the important objective of promoting more widespread broadband availability.

**WRITTEN SUBMISSION OF**
**THE NATIONAL CABLE & TELECOMMUNICATIONS ASSOCIATION**
**to the**
**SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP**

**CONNECTING MAIN STREET TO THE WORLD: FEDERAL EFFORTS TO EXPAND SMALL BUSINESS INTERNET ACCESS**

**April 26, 2010**

NCTA represents cable operators serving more than 90 percent of the nation's cable television households and more than 200 cable program networks. The cable industry is the nation's largest provider of broadband Internet services, having invested more than $161 billion since 1996 to build two-way, interactive networks with fiber optic technology. As detailed below, cable companies offer a wide range of broadband services to small businesses in large and small communities. Cable broadband and digital voice services are helping small businesses increase their productivity, create jobs, and expand their reach. Government can best ensure the continued expansion of small business Internet access through policies that facilitate broadband adoption by small businesses, promote private sector investment in new and upgraded broadband facilities and services, and avoid policies that impede those investments.

As the FCC's National Broadband Plan notes, "broadband can provide significant benefits to the next generation of American entrepreneurs and small businesses—the engines of job creation and economic growth for the country."[1/] Broadband can expand access to jobs and training, support entrepreneurship and small business growth and strengthen community development efforts. Broadband also removes barriers of time and space. With broadband, a small business in rural America can transact efficiently with customers and suppliers worldwide at any time. Broadband is becoming a prerequisite to economic opportunity for individuals, small businesses and communities. Those without broadband and the skills to use broadband-enabled technologies are becoming more isolated from the modern American economy. As a result, small businesses must have the broadband infrastructure, training and tools to participate and compete in a changing economy.

Cable operators large and small are contributing to this crucial element of our economy by providing an array of broadband services to small businesses across the country, in urban and rural communities alike. Cable operators already can reach 82% of the 4.7 million businesses with fewer than 10 employees in the U.S.[2/] Cable voice, data and video services give small businesses the tools they need to drive economic growth. Small businesses are an important, growing segment of the market for cable services, and cable companies value their small business customers. According to one survey, "businesses with fewer than 10 employees are

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1/ *Connecting America: The National Broadband Plan*, Federal Communications Commission, at 266 (2010) ("National Broadband Plan").

2/ SNL Kagan, *Cable Makes Gains in Commercial Segment*, BROADBAND TECHNOLOGY, at 5 (March 22, 2010).

expected to account for nearly half the commercial voice and data revenue at $4.6 billion by 2014 and represent the majority of the total customers in the commercial category."[3/]

The cable industry has also undertaken a number of small business broadband initiatives which are helping to advance many of the National Broadband Plan's specific policy recommendations for enhancing the availability and adoption of broadband services by these enterprises. These initiatives include providing information technology applications training through Small Business Administration resource partner programs, using broadband to give small businesses access to a network of experts, promoting public-private partnerships to provide technology training and tools for small businesses in low-income areas, and bolstering entrepreneurial development programs with broadband tools and training.[4/]

Cable services also provide other benefits to small businesses. For instance, cable's digital voice service has enabled small businesses to realize substantial savings on their telephone bills. According to one study, "the small business customer can cut his telephone bill by about 50 to 70 percent by using a cable provider's voice service."[5/] In short, cable is bringing new services and significant savings through competitive service offerings and cable is actively competing in the small business market.

The following are some specific examples of the benefits that cable operators provide to small businesses through their provision of broadband services – in large urban or suburban markets, as well as in smaller and rural markets.

**Bresnan.** Bresnan Communications, a broadband telecommunications provider serving rural and urban communities in Colorado, Montana, Wyoming and Utah, offers small businesses a suite of services that includes broadband as well as a phone solution that provides these businesses with the same advanced features available to larger enterprise customers but without having to invest in expensive on-premises switching equipment. In addition, Bresnan has partnered with sixteen small business development centers in Montana and Wyoming as part of its "Bresnan Business Incubator" program to give grants of phone and high speed data service to small and new businesses. Recipients have included a variety of businesses from Boxcar Willy's Sandwich Shop in Hamilton, MT to Envy Tanning & Rejuvenation Studio of Casper, WY. As Bresnan notes on its website, "we know what it means to start small and move forward. . . . We know because we started that way ourselves."[6/]

**Bright House Networks.** Bright House Networks uses the number of employees a small business has to calculate customized voice, data and video bundles. Bright House offers a

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3/ *Id.* at 5.

4/ National Broadband Plan, at 266.

5/ Michael D. Pelcovitz and Daniel Haar, *Consumer Benefits from Cable-Telco Competition*, Microeconomic Consulting & Research Associates, Inc. at 22 (November, 2007).

6/ Bresnan Communications Website, Bresnan Business Incubator, *available at* http://www.bresnanbusinessincubator.com/montana/.

number of competitive business Internet and business data protection services along with its "Enterprise Services" solution with managed services and VPNs.[7/]

**Cablevision.** Cablevision's "Optimum Online Business" offers reliable Internet, phone and television products at a great value for small companies with up to 100 employees. In 2009, JD Power & Associates recognized Optimum Online and Optimum Voice as having the "Highest Customer Satisfaction With Small/Midsize Business Data and Business Phone Service Providers." Cablevision's Optimum Online Boost offers Internet speeds of up to 30 Mbps downstream and 5 Mbps upstream, along with advanced configurations and business-grade tools. Last year Optimum Online launched an added benefit for small businesses – a mobile version of Optimum.net, its popular consumer web portal.[8/]

**Charter Communications.** Charter offers a "Small Business Bundle," a service package designed to meet the needs of individual small businesses. It offers Internet connections of up to 20 Mbps, as well as email addresses and web-hosting, along with small business telephone and video services. Charter's reliable and fast uploading capacity enables small business customers like Greenville Radiology in Greenville, N.C. to transmit digital medical images to hospitals and other treatment facilities at all hours of the day.[9/]

**Comcast.** Over the past several years, Comcast has escalated its efforts targeting the frequently underserved small business sector, rolling out services and products to meet the specific needs of this market segment. Products available to small and midsize businesses include: business Internet with the faster download and upload speeds businesses require; reliable Digital Voice service with unlimited local and long distance calling and advanced call management tools; and informational TV services for breakrooms and waiting rooms (Private View TV), as well as entertainment, sports and HDTV packages designed for restaurants, bars and other establishments (Public View TV). Comcast also offers a small businesses "triple play" bundle for $99 per month, similar to its residential packages, providing voice, data and video service. Currently, Comcast offers its Wideband Internet service with downloads up to 100Mbps and up to 15Mbps upload speeds in the Twin Cities market, and will be launching this service in other areas throughout the year. A recent study found that Comcast's Hosted Microsoft Communications Services, including e-mail and collaboration tools managed in the cloud, help small and midsize businesses trim operating expenses and reduce the burden on IT support resources.[10/]

**Cox.** Cox Business provides voice, data and video services for nearly 250,000 small and regional businesses, including healthcare providers, K-12 and higher education, financial

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7/ *See* http://business.brighthouse.com/About_Us/Why_Bright_House/.

8/ See http://www.optimum.net/downloads/OOL_MobilePortal.pdf.

9/ *See* http://www.charter-business.com/Small-Business-Bundle.aspx; *See* http://www.charter-business.com/CaseStudies/Case-Greenville-Radiology.aspx.

10/ Steve Hilton, *Comcast and Microsoft Help Small Businesses Cut Costs with E-Mail and Messaging*, Yankee Group (Oct. 2009) *available at* http://business.comcast.com/pdfs/Yankee-Group-Cut-Costs-with-MCS-100209.pdf.

institutions and federal, state and local government organizations. Cox Business provides advanced voice and data services (Ethernet, T-1, PRI) via the traditional cable network (hybrid fiber coax), previously available only via fiber networks. This allows smaller businesses to have access to more complex services to enhance their communications capabilities. Cox is able to offer business solutions like a bulletin-board telephone system so its small business customers can quickly re-direct each employee's phone extension to any other phone. One of its customers, an IT services consulting firm called Roundbrix, found that it was able to compete with larger, well-funded companies by using Cox's bulletin-board telephone service to provide reliable connectivity with its employees who are frequently off-site.[11/]

**Eagle Communications**. Eagle Communications provides its small business customers broadband service of up to 100 mbps, as well as other web hosting, e-business, and wireless solutions. And these services are not confined to the larger communities it serves; Eagle is also making high speed connectivity and e-business solutions available to smaller markets and businesses such as MCM Manufacturing in WaKeeney, KS, a town of 1,700 residents, and Surveys, Inc., which is located in Ellsworth, Kansas, a community of 3,200 residents.

**Mediacom.** Mediacom customizes its service offerings to each small business it serves, consulting with new customers to understand their businesses to develop specific service packages for particular business needs. Mediacom also offers tech support and web services to aid customers in getting websites up and running.[12/]

**Midcontinent**. Midcontinent is raising the bar in offering the latest in high-speed Internet to the communities it serves in Minnesota and North and South Dakota. Midcontinent offers its small business customers an array of business packages, including everything from a small office/home office package of up to 15 mbps/1mbps, to an advanced package that incorporates DOCSIS 3.0, the latest in cable modem technology, with up to 50 mbps download/5 mbps upload. In bringing DOCSIS 3.0 to Minnesota and the Dakotas, Midcontinent is able to offer its customers cutting edge cable modem innovation for fast Internet speed. Midcontinent also partners (as the backhaul provider) with wireless Internet providers to extend broadband services deeper into rural areas, creating new opportunities for small businesses operating in those communities. Midcontinent's Business Solutions account executives even meet with individual businesses to customize service packages to their needs.[13/]

**Suddenlink.** Suddenlink offers voice, data and video bundles as well as advertising services for web-hosting and data network security. Suddenlink also includes 24/7 tech support so that small businesses can optimize their IT budgets.[14/]

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11/ Cox Business, *Small Businesses Share Success Stories, Cox Business Provides Winning Telephone and Internet Solutions to Orange County Businesses, available at* http://www.daileymarketing.com/Cox/stage/sheila/pdfs/CS_OCBJ_Roundbrix.pdf.

12/ *See* http://mediacomcable.com/BusinessServices/partnerprogram.html.

13/ *See* http://www.midcocomm.com/classlibrary/page/resourcecenter/files/190.pdf.

14/ *See* http://mysuddenlinkbusiness.com/page.do?support/techsupport.

**Time Warner Cable.** Time Warner Cable (TWC) provides integrated business communications solutions with a primary focus on small businesses that currently account for the majority of its business customer offerings. TWC tailors the right mix of reliable broadband-enabled voice, Internet, video and Ethernet solutions to meet their specific needs, including features such as static IP addresses; cable routers, which allow for support of routing protocols and integration with business services; advanced billing options; dedicated customer care; and other value-added options. TWC's Dedicated Internet Access connectivity provides symmetrical speeds ranging from 10 Mbps to 1 Gbps and its Metro Ethernet service, a dedicated data networking service that connects two or more customer locations, provides symmetrical speeds ranging from 512 kbps to 1 Gbps. Both include service-level assurances that are not feasible for broadband offerings that rely on shared bandwidth. Recently, TWC committed to participate in a public/private partnership with the Small Business Administration's Service Corps of Retired Executives (SCORE) program, arising out of the National Broadband Plan. This partnership will help small businesses utilize broadband technologies to engage in e-commerce and to help grow their businesses by providing training, how-to guides, and online workshops.

April 26, 2010

The Honorable Mary L. Landrieu
Chair, Senate Commerce Small Business Committee
U.S. Senate
328 Hart
Washington, DC 20510

Dear Senator Landrieu,

I understand that the Senate Small Business & Entrepreneurship Committee is holding a hearing on April 27th to discuss the National Broadband plan and the impact of the internet on small businesses. I would like to take a moment of your time to mention how broadband has impacted our small business directly. I'm the owner of Nomad Pictures, Inc. located in South Portland. We are film and video production company producing everything from commercials and documentaries to corporate videos. Some of our clients include the State of Maine, L.L.Bean, Unum, and Maine Public Television. In the beginning most of our resources were spent on having a location that was centrally located so that clients could easily access their projects. Since contracting broadband service through Time Warner Cable we've moved our location from a pricy suite in Portland and not only increased the size of our location, but now have the resources necessary to double the size of our company.

Our broadband service has allowed us to not only reach out to clients in Maine but to service other clients nationwide. We are able to compete nationally because broadband had made media delivery faster and more effective.

I have lived in Maine for most of my life and am pleased to be able to keep my business in the state and hire locale people. Without broadband Nomad Pictures would have moved to a larger market many years ago. Broadband is one of our biggest business tools and I look forward to its continued growth throughout the state.

Sincerely,

William Moulton, President
Nomad Pictures Inc.
PO Box 532
Portland, ME 04112
207-828-8660

**Testimony of Carl J. Grivner**
**CEO of XO Communications**
**Before the**
**Senate Committee on Small Business**
**April 27, 2010**

Madam Chairman, Senator Snowe and distinguished members of the committee. I am the CEO of XO Communications; we are a competitive broadband provider serving the small and mid-sized business market. Using our multi-billion dollar fiber optic national and metro networks, and connecting to our customers over the existing copper last-mile loop, we are the embodiment of "facilities-based" competition that was envisioned in the Telecommunications Act of 1996. What started out as a bold and daring idea nearly 15 years ago has resulted in a company of 4,000 employees providing competitively-priced broadband services to over 90,000 customers today.

XO specializes in serving the Small-Medium Business (SMB) market – a market that the large incumbents often neglect as they seek to serve more lucrative enterprises. It is a market we serve well, however, because of the scalability of our products, the affordability of our rates, and the outstanding customer service we provide. Scalability is important because it allows a small business to wade into the broadband pool cautiously with XO as a partner, and we can continue to increase the performance and capacity of their connection as their needs and budget warrant. Affordability is also a major consideration for our customers, because not everyone needs a massive fiber optic pipe at exorbitant costs – our services can fit their budgets, no matter what their broadband needs are. And XO's customer service is vital, because for all of our customers broadband is essential to the success of their businesses. We specialize in working with our customers to tailor our products and services to fit their needs.

In these challenging economic times, SMBs are especially focused on their costs. So, as this committee examines the National Broadband Plan, and other strategies to increase broadband adoption by small businesses, the cost of the commodity cannot be overlooked. The more affordable our services are, the broader their adoption, and the more competition grows. But price competition does not occur in a vacuum. We are constantly fighting to defend our lawful right to access the existing last-mile broadband infrastructure. In fact, despite the robust competition envisioned in the '96 Act, there has been substantial erosion in a competitor's ability to interconnect with an incumbent at just and reasonable rates.

Looking over the last decade of actions at the FCC, far too often the Commission sided with those companies that want dominion over all subscribers by choking off competitive

network access. This affects companies like XO and other innovative service providers who have invested billions to provide a competitive choice for SMBs. Thankfully, the National Broadband Plan seeks to address many of the threats to competition that exist today. Under Chairman Genachowski's leadership, the Commission will review wholesale competition rules, which is important as these rules are at the core of how XO interconnects with the companies with which we compete. Without basic competitive protections, we are only a few steps away from reassembling the very monopoly that was disassembled in 1984.

Additionally, while the previous FCC sought to incentivize fiber optic networks by eliminating competitive access, this Commission should act to preserve copper connections across the country. It's important to note that the copper network that connects most homes and businesses in America is able to provide 21st Century broadband speeds. An XO customer today can get speeds at up to 50 Mbps – with 100 Mbps just over the horizon – all using the existing copper infrastructure. I share this as an illustration of the value of the copper network that is in the ground today and to illustrate how the needless removal of copper facilities for anti-competitive reasons harms everyone. The FCC has a current proceeding to examine the importance of the copper network and establish protections to ensure broadband options will always remain for small businesses. Completion of this proceeding with a pro-competition outcome will go a long way to ensuring small businesses benefit from lasting competitive choice.

Interconnection, just and reasonable rates, preservation of vital network infrastructure all add up to the pro-competition principle of non-discrimination. This principle should be reinforced as the Commission moves to implement the National Broadband Plan. However, non-discrimination should also extend beyond the physical network and to the information packets that pass through them. The routing of these bits and bytes, and their unfettered transport – better known as Net Neutrality – is closely related to competitive choice for broadband connection. If you can choose a website based on its content and not who has struck a secret deal with your broadband provider, you will gravitate to the best content while protecting consumer choice. Similarly, if you can choose a broadband provider based on what they can do for you and how well they do it, rather than choosing a broadband provider who has their hand on the network choke point, you will gravitate to the best provider.

As one of the first, and the few broadband providers to endorse Chairman Genachowski's Net Neutrality plan, I think it is important that we create an ecosystem where ideas born out of the '96 Telecommunications Act – or someone's garage or

basement, should have the opportunity to sink or swim in a marketplace not dominated by monolithic companies, but where innovative providers can take a legacy national asset like the copper telephone network and supercharge it to provide modern broadband speeds using innovative technology. It is this competition-driven innovation that will not only spur a revolution in broadband connectivity for small businesses, but also help those small businesses to compete globally from a position of broadband strength, not one where they are stuck using last century's Internet connections. That's why it is my hope as the FCC and Congress work to implement the National Broadband Plan that they aim to ensure that we continue to be a country of innovation and not fall backwards to the bad old days of companies that would give you your choice of any phone, so long as it was black.

Thank you and I look forward to your questions.

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