

**CONNECTING MAIN STREET TO THE WORLD:
SMALL BUSINESS PERSPECTIVES ON INTERNET
ACCESS**

ROUNDTABLE
BEFORE THE
**COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP**
UNITED STATES SENATE
ONE HUNDRED ELEVENTH CONGRESS
SECOND SESSION

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MAY 13, 2010
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**CONNECTING MAIN STREET TO THE WORLD:
SMALL BUSINESS PERSPECTIVES ON
INTERNET ACCESS**

THURSDAY, MAY 13, 2010

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

The Committee met, pursuant to notice, at 10:31 a.m., in Room SR-428A, Russell Senate Office Building, Hon. Mary L. Landrieu (chair of the committee) presiding.

Present: Senators Landrieu and Hagan.

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

Chair LANDRIEU. I would like to go ahead and get started with this roundtable, "Connecting Main Street to the World: Small Business Perspectives on Broadband Internet Access," and I thank all of you for joining with me and with my staff today. It is an honor to have you here with the Small Business Committee. Some of you are frequent visitors to this office and have been on other panels.

We have just undergone a major renovation. I hope you feel comfortable, and it is now one of the prettiest, although small but pretty, rooms in the Russell Building, but comfortable enough for us this morning, and we are thrilled to have you here.

The purpose of the roundtable is to continue our discussion from a hearing that our Committee actually conducted recently on expanding broadband Internet access to small business customers in the country. During that hearing, we heard from Federal and local officials about opportunities that are available for broadband Internet expansion. During this roundtable, we want to hear directly from you, from small businesses, business owners who stand to benefit from increased access and adoption. As you all know, over 99 percent of all businesses are small businesses, and they employ almost half of the American workforce and produce half of the U.S. GDP.

Because small businesses have long represented the backbone of the U.S. economy, we need to ensure that they have access to the right tools so they can continue to be successful, and I would underscore, particularly at this time trying to build out of the recession that we find ourselves in, anything that this Congress can do at any committee level to empower small business to be the true engines of economic growth that they normally are, but we really

need them to be at this time to help lead our country forward. We believe that the opportunities in broadband are significant.

Broadband Internet service is the ability to open doors for small business that have been historically shut or open doors, I would say, much wider, and windows, too, for the way that small businesses can operate in far-flung places.

Regardless of the type of industry a small business is involved in, broadband can transform their operations through increased efficiency and lowered operating costs. Broadband can help some small businesses function like big businesses and can also increase their geographic presence by moving their operations online.

My staff and I are interested in gathering data on what type of broadband services are available to small business customers today, at what speeds, and at what price. Access is the first step, making sure that infrastructure is in place. Speed is also a major factor, and, of course, affordability can be another barrier to adoption that I hope we will address today.

According to the FCC, 95 percent of small business firms have access to broadband, but 80 percent of them have only lower-grade connection speeds. I was actually shocked in the hearing to learn myself in terms of speed—and I think I have it here. The price per month just—and you all may already know this, but it is very interesting, international statistics. The price per broadband per month in Sweden is \$10.79 average; in Switzerland, it is \$12.53; in the U.S., it is \$15.93. Now, there are countries like Ireland that are more expensive on average, New Zealand and the Netherlands.

But what is very interesting to me is the penetration of households in South Korea is 95 percent. The U.S. is 60 percent. What is even more alarming in some ways is the megabites per second in Japan are 94 percent; France is 45 percent; Sweden is 21 percent; New Zealand is 13 percent; and the U.S. is—not percent, but 9 megabites per second. So it is 94 in Japan, 45 in France, 21 in Sweden, 13 megabites in New Zealand and 9 in the United States. Knowledge is power, speed is power and access is power. If we are in a race, which we are, with other countries, we need to pick up our pace, as far as I am concerned.

I look forward to hearing your suggestions today to learn about what your companies need, what other companies that you represent are telling you, and now let me take a moment to explain the format.

We have got a fairly large group, and we are going to go until 12 o'clock. What I am going to ask all of us to do is to introduce ourselves as we begin just by name and what brings you here today briefly, and I am going to start off the first round of questioning, and then I am going to turn it over to my very able assistant, Cheryl Miller, and Don Cravins, who is my Staff Director, to continue the discussion. Before I turn the panel over to Cheryl, I would just like to start maybe, Adam, with you introducing yourself, and we will just go around. And then when you want to ask a question—or answer a question, just place your placard up that way, and then we will recognize you. We do not have to raise hands, even though that is what we are tempted to do. We can just raise our placards.

[The prepared statement of Chair Landrieu follows:]

**Chair Mary Landrieu
Opening Statement**

Roundtable on May 13, 2010

**“Connecting Main Street to the World: Small Business Perspectives on
Broadband Internet Access”**

Introduction

- Thank you all for joining us here today. It is an honor to have you with us at the Small Business Committee.
- The purpose of this roundtable is to continue our discussion from a hearing on expanding broadband internet access to small business customers from last month.
 - During that hearing, we heard from Federal and local officials about the opportunities that are available for broadband Internet expansion, but during this roundtable, we want to hear from YOU – the small businesses owners who stand to benefit from increased access and adoption.
- Over 99% of all businesses are small businesses and they employ half of the American work force and produce half of U.S. GDP.
 - Because small businesses have long represented the backbone of the U.S. economy, we need to ensure that they have the access to the right tools so that they can continue to be successful. Broadband internet service has the ability to open doors for small businesses that were historically shut.
- Regardless of the type of industry a small business is involved in, or their customer base, broadband can transform their operations through increased efficiencies and lowered operating costs.

- Broadband can help some small businesses function like big businesses, and can also increase their geographic presence by moving their operations online
- I am interested in gathering data on what types of broadband service are available to small business customers, at what speeds and what prices. Access is the first step—making sure that the infrastructure is in place so that broadband is available to small businesses that want to be connected.
 - Speed is also a major factor, as many of the benefits of business broadband use can only be claimed at higher connection speeds than the typical consumer demands.
- Affordability is another barrier to adoption that I hope we will discuss today, because if you can not pay for broadband it does not matter if it is right outside your door, you still will not connect.
- Increased adoption rates by small business users are the result of making access more available and affordable. Our goal should be to make sure that all small business owners who want to use broadband to enhance their business can do so. It is important that small business owners understand
- According to the FCC, 95% of small firms have access to broadband but 80% of them have only lower grade connection speeds.
 - This is likely due to both a lack of higher speed options in some areas and the high price of business-grade connection speeds. This implies that access to increased speeds at lower costs for services are important goals for increasing the number of small businesses that utilize a higher Internet speed.
- I look forward to hearing your suggestions, to learning about what your broadband needs are and to working with you on this important issue.
- I am going to be able to stay for a little while, but then I have to step out. I will be leaving you in the very capable hands of our staff members, Cheryl Miller and Brian van Hook.

Let me now take a moment to explain the format for the roundtable. We've got a large group so if you would please stand your name placard up long ways to be recognized to speak.

I unfortunately cannot stay due to my schedule, but in my absence Cheryl Miller from my staff will moderate and help lead the discussion.

She will be reporting back to me on the details of the roundtable.

We will leave the record open for one week, until May 20th.

- Before I turn the panel over to Cheryl I would like to start off by asking the roundtable to briefly introduce their companies, and then I will ask some specific questions. It's extremely important for me to hear from you on this topic, so that we can best gauge how to tailor our efforts related to broadband expansion moving forward.

Chair LANDRIEU. Adam.

Mr. REECE. Thank you, Chair Landrieu. I am Adam Reece, and I work on the Republican staff for Ranking Member Snowe on the Small Business Committee.

Ms. BENTON. I am Angela Benton, and I am CEO of a company called Black Web Media, and we essentially are a new media company where we produce content and applications specifically for African Americans online.

Mr. BUNDRIDGE. Roger Bundridge. I am the General Manager of Northwest Missouri Cellular. We are a cell phone provider in northwest Missouri. We provide service to about 12,000 rural customers. The demographics of our market, we have about 41,000 people living in our area.

Chair LANDRIEU. Thank you.

Mr. CHAPMAN. My name is Chris Chapman, owner of Snow Sport Deals, an online retailer. I sell direct to the consumer. Originally, I was a wholesaler, but with the Internet, I have now switched to direct sales.

Chair LANDRIEU. And what kind of equipment or product?

Mr. CHAPMAN. Skis, snowboards, winter sports.

Chair LANDRIEU. Skis and snowboards, winter sports. Great. And you have to speak into the mic and press the button. It should light up red and say "Talk."

Mr. FELDMAN. My name is Lowell Feldman, and I am the CEO and founder of WORLDCALL INC., which has two different lines of business. One is we acquired spectrum in Auction 73, and we endeavored to build out some LTE networks in seven rural areas. The other is I have a long standing competitive LEC that is focused on new technology interconnection, including the ability to provide disaster recovery services using different types of new technology, which we are unable to do because of the regulatory environment right now.

Chair LANDRIEU. Well, we could use that in Louisiana since we have more than our fair share of disasters, unfortunately, it seems. So see me later.

Mr. FELDMAN. I will absolutely see you later. I am also a law professor at the University of Texas, and my students there have been working on some interesting ideas on some reform for the last 4 years.

Chair LANDRIEU. Thank you, Lowell.

Matt.

Mr. WOOD. I am Matt Wood. I am a third-generation potato farmer from North Carolina. We farm about 6,000 acres and have about 2,000 acres of round white potatoes. I am also a County Commissioner, and I am the Chair of our local community college board, so I have interest in this from all those perspectives.

Mr. VAUGHAN. My name is Jesse Vaughan. I am the IT director for GigaTrust Corporation in Herndon, Virginia. We are an IT security company specializing in document and e-mail security. It is basically content at rest protection, so you can prevent people from copying, pasting, editing, e-mails in their reply and so forth.

Mr. TAYLOR. My name is Bruce Taylor. I am an IBM retiree and now President and Chief Operating Officer of a company in Atlanta called Police Central. We do law enforcement software for police de-

partments and sheriff's offices. We have a small company that is critically dependent in supporting 90 customers across the country on good broadband connections. Our customer base is also very interested in good mobile broadband for access to our solutions and for data sharing between law enforcement agencies.

Mr. ROWE. Good morning, ma'am. I am "Tee" Rowe. I am the President of the Association of Small Business Development Centers. We are a nationwide network of over 1,000 delivery centers for one-on-one small business consulting, training, and outreach. We are proud partner with the SBA and this Committee.

Chair LANDRIEU. Thank you, Tee.

Mr. MORTON. My name is Marcus Morton. I am the President and Co-Founder of Network Foundation Technologies, also known as NFT TV. We are live streaming broadcaster over the Internet that saves 60 to 70 percent of bandwidth cost over traditional CDN models, with our headquarters in Ruston, Louisiana, and a satellite office in Los Angeles. I very much appreciate the opportunity to be here.

Chair LANDRIEU. Thank you, Marcus.

Ms. LANDSDOWNE. Good morning. My name is Deborah Landsdowne. I am the President and CEO of Ekohs. We are an international infrastructure rebuilding company. We have built networks in Iraq, Afghanistan, and Africa, so the importance to me is that I have employees all over the world.

Chair LANDRIEU. Cheryl.

Ms. MILLER. Cheryl Miller. I am staff for the Senate Small Business Committee.

Mr. CRAVINS. Donald Cravins, Staff Director for the Senate Small Business Committee. I work for Senator Landrieu.

Chair LANDRIEU. I am very pleased to have one of our members join us this morning who has been showing some exceptional leadership in the area of rural business development and broadband development. Senator Hagan joins us, and I think you want to say something about one of your constituents here. Thank you, Senator.

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

Senator HAGAN. Thank you, Chairman Landrieu.

As we have discussed in this Committee, I think access to affordable broadband infrastructure is absolutely critical for our small businesses to remain competitive in the 21st century. It is essential that we continue to identify ways to improve that access throughout the Nation. I think this roundtable and all the expertise that each and every one of you has will shed a lot of light on this area.

At our last hearing on the National Broadband Plan, I actually talked about Matt Wood and the difficulties you have encountered accessing the Internet. Mr. Wood operates a potato farm in Camden County where he grows potatoes for the Frito-Lay Potato Chip Company, and I hope I am not taking away exactly what you are going to be saying, but you can reiterate it again. During the growing season, Frito-Lay requires him to frequently access its online network to upload his harvest data, and because the broadband access is not available at his farm in Camden, he actually has to

drive to his home in Elizabeth City, where he uses his own broadband connection to access the Frito-Lay system.

So if you think about having to leave one place to go to another place just to be able connect, think of the time, energy, and resources that he wastes by just driving back and forth to input that data. So I am pleased to welcome Mr. Wood here to our Committee this morning. He has joined us to give all of us a firsthand account of the difficulty he experiences in accessing the Internet from his farm.

As he also mentioned, in addition to his potato farm, he is a Pasquotank County Commissioner, and the Pasquotank County Government has shown a serious commitment to deploying broadband Internet so that small businesses can enhance their global competitiveness.

Right now in North Carolina, we have a nonprofit, MCNC, that is a nonprofit broadband distributor, and that entity has applied for the second round of the BTOP funding. We already have matching funds that have come forward from the Golden LEAF Rural Broadband Initiative to the tune of about \$24 million, which will allow MCNC to actually apply for the grant. So we are certainly hoping that North Carolina is the recipient of one of those so that we can get more broadband access. We have 100 counties in North Carolina, and about 85 of them are in rural areas, and we desperately need more access to broadband.

It is certainly my hope that Matt's perspective here will help us better engage in underserved communities and small businesses, and I just wanted to personally thank you, Matt, for joining us today. And I know everybody will be interested in what you have to offer.

When you think about the fact that not only is he a County Commissioner but also Chairman of the community college there as well as your full-time endeavors, I thank you for all that you do for the State of North Carolina.

And thank you, Madam Chairman.

Chair LANDRIEU. Thank you, Senator Hagan. I am really looking forward to this hearing, and just to put this into perspective, when I became Chair of the Small Business Committee, I sat down with my staff and talked to some of the members of the Committee to try to focus on some of the priorities of my chairmanship, and there are three.

One is to make the Small Business Administration the best it has ever been in terms of quality of individuals that serve, to their services they provide to small business. And that agency had been de-fanged in many ways or underfunded—not that we want fangs, but we wanted to be effective—in the past Administration. I wanted to make sure that the Small Business Administration here as part of our Federal system was as strong as it could be.

In that, as you all are somewhat familiar with the SBA, we have and recognize that we can deliver those services to small businesses in America very effectively through our partnerships with banks, credit unions, other financial institutions, universities, small business administrations, nonprofit organizations, so my second priority is strengthening what we like to call the backbone or

the bone structure of the SBA through our Small Business Development, and we are focused on that.

The third priority is broadband—not that I am an expert on it, but I can most certainly as a leader appreciate disruptive new technology when I see it. And when I understand just broadly about what broadband, affordable and fast, can mean to small businesses in America that are not located on Fifth Avenue in New York, but they are, Matt, at your potato farm, what it could mean to a small business revolution in America and opening up opportunities for our entrepreneurs to move well beyond the bounds of their towns or their counties or in our case our parishes and start selling their products, and how important it is and how possible this is, because American business is, in my view, still the most nimble, agile, flexible, and our laws enable us generally, compared to our competitors, unlike companies in Europe that may be stymied by kind of some old-fashioned safety net, but it is beyond safety net that prevents businesses from being as adaptable as they can be. Those barriers do not often exist in America, and my view of this is that if our Committee can do everything we can to empower small business to get a jump-start on this technology or to push us—and it frightens me when I see numbers like this about how far behind we are. I do not want our small businesses in America to be at a disadvantage to small businesses in South Korea, Singapore, Taiwan or Hong Kong.

I am not the oversight committee, as you all know, on broadband. That is the Commerce Committee, but I follow what they do. They stay so focused at 100,000 feet in terms of spectrum and fights between the big guys that I want this Committee to give voice to small businesses and to say what small business needs right now in America to be the strongest and best that it can be. That is what we are going to stay focused on, and I have tasked my staff along this regard.

So I would like to begin by just asking each one of you—you all represent your own business or understand your own personal experience. When did you first have access to broadband and you subscribed at different points of time? How did you get your first access. How has your company used broadband over time? How has that changed over time? And how has it either transformed or not been as transforming as you would like to the business that you represent?

I am just going to throw that open for anybody who might want to respond, and this is going to be extremely informal. The staffs here are going to be taking a lot of notes and prompting to get as much information out of you in terms of that focus. What can this Committee say to the Members of Congress, to House committees, to Senate committees, to the committees that do have jurisdiction about what small businesses need and how quickly you all need it now to do what we are asking you to do, which is create jobs and to grow stronger and more profitable for your benefit and the benefit of our country.

Anybody who would like to start? Okay, Chris, go ahead.

Mr. CHAPMAN. We are a small business in Maryland, a family business, into snow sports. I started off selling wholesale, not using the Internet at all. As my business grew, I discovered eBay and

some of the online marketplaces, and started with dial-up and selling small amounts. Now some 7 or 8 years later, my business has reversed. I am 80 percent direct to consumer Internet sales.

As the tools grew, dial-up was not fast enough. I had to buy a satellite system for a roof that still was not fast enough. I eventually had to—we use Comcast cable. It was down the street and they would not bring it—I am in a rural area, so eventually I paid them extra money to bring the cable to me. And now 5 or 6 years later, almost every application is run online. All our service providers, from accounting to managing—we are a little over \$1 million a year business.

Chair LANDRIEU. And what were you before? Were you about the same size?

Mr. CHAPMAN. No, I have grown. Eleven years ago I started at about \$100,000 a year, and we have grown about \$100,000 a year for the last 10 years. The whole model has changed because of the Internet. Again, I was wholesaling. I actually specialized in used equipment. I go out West and buy up all the used demos and rental skis all around the country and bring them back, supply them to eastern resorts and Play It Again Sports, things like that. I had a hard-to-sell product. It was very high end and I had no market for it. I saw eBay one day, and I put one out there, and I got \$700 for it. Wow.

So as it grew, people started e-mailing me saying, “I am just a regular skier. What about me?” So I started taking my wholesale equipment, putting it on eBay slowly but surely, and 4 or 5 years later, my whole model had reversed and now we ship about 7,000 skis a year direct to consumers through our own websites in other marketplaces.

Everything we do on our computers is high speed. I have to have third-party companies to help me manage all those channels. So from communications, accounting, everything is not on our computers. Our computers do not really matter. We could switch to a laptop and go somewhere else. It is the applications online that matter. We have to have that. When our cable goes down, we sit and stare at the wall. Our whole business comes to a grinding stop.

Chair LANDRIEU. How often does your cable go down?

Mr. CHAPMAN. Not that often. I have satellite back-up, and I still pay for dial-up just to have redundancy for the worst-case scenario. But the reliability has been okay.

Chair LANDRIEU. In terms of affordability, can you give us, if not right now but submit to the Committee, some kind of documentation about what you have had to invest of your own to get the speed and service that you need, either on a monthly or annual basis?

Mr. CHAPMAN. My cable bill, just the Internet service I get from them has gone from \$50 to \$100 a month. I had to pay \$700, I think, to bring it—to divert them to bring it down. And my satellite system was another \$1,000 or \$1,200 at the time, and that was a couple hundred dollars a month back then. I have disconnected it. I can turn it on when I want, but I do not pay monthly for it. It is a redundant back-up now.

Two aspects of the broadband that are important for us is I am on the East Cost, and I ship around the country. The corridor from

Louisville, Kentucky, where UPS is, to Memphis, Tennessee, where FedEx is, is a prime area to develop the shipping business for Internet sales. It is 2 days to either coast. It saves costs, it saves speed. In our business, speed is everything. Customers want something fast. So I am looking in that area for fulfillment. I am from Kentucky originally, and there are lots of holes. There are lots of places where the infrastructure would be incredibly cheap, warehouse space, labor. I could not even dream about going there without broadband.

Chair LANDRIEU. That is a very interesting point, and they just do not have it.

Mr. CHAPMAN. We have a family farm in a small town in Kentucky, and I could—with almost free buildings. I could not think about going there until they have better broadband.

The other aspect is my customers. A big part of our business are rural customers. There are only so many ski shops in America. They are mostly inner cities. So a lot of my customers live in rural areas, and now with the richer media, we are showing larger images; we are showing videos, how-to videos. My Mom cannot even look at my website. She is on dial-up. She spends an hour trying to look at a video or a photo or something. It is not worth her time. She is 77. She clicks it off and says, "It is not worth my time." That is my own Mom.

[Laughter.]

Mr. CHAPMAN. So my customers are greatly affected, and they are 60, 70 percent rural environment because they do not have a ski shop to go to, and that is why I am in business.

Chair LANDRIEU. Thank you, Chris.

Lowell.

Mr. FELDMAN. As part of what I did or have been doing at the University of Texas, we participated in some BTOP broadband applications to basically solve middle-mile issues in many rural areas in Texas. And one of the things that I would—you know, I am parroting off of your comment. I think a lot of the laws are written very well with respect to trying to promote innovation and promote competition. But I think as it goes through the system of how things are currently regulated and how they are doled out, those intentions end up backfiring. And with respect to small business and with respect to innovative ideas, it is very hard to take innovative ideas and push them forward. You get a lot of pushback almost.

One of the big examples is in the ARRA. There is a very big transparency requirement for people when they get funds to at least be able to show where they are going to be spending the money, where the fiber they are going to be putting in is, what the services are going to cost, to the very businesses that need it in these rural areas. And some of my students did a study on the people who were winning the money and asked them, Where are you going to provide service? How much is it going to be, et cetera? And 61 out of 67 of the winners refused to answer any of the questions.

And so I think what you have is you have good laws being written, but you do not necessarily have the follow-through on how those laws are going to be implemented so people can get faster broadband or at least be able to plan on where the infrastructure

is going to be put in place so the next entity can—like a cell phone company can know where the fiber is going to be, where they can tap in at the middle-mile solution and build a new tower to deliver the service.

Chair LANDRIEU. Jesse.

Mr. VAUGHAN. So, at GigaTrust, I started in 2006 with them, and we originally has 1.5 megabit service, which is relatively slow for a business. We are not up to 20 meg service, which is fast enough, but I always have staff members coming to me saying, “Gosh, everything is so slow.” You know, even here.

Now, granted, they do not want to pay more for it. If you go and try and get more money to get them to expand the service further, that money, they do not wish to budget for that. But more importantly, my wife runs a sole proprietorship. She is an attorney specializing in adoption law, and as many small businesses start, they start often from the home. And we are in the process of moving—not far. Right now we live about half an hour outside of Washington, D.C. We are moving about another 25 miles further out, but where we are moving to is going to cause her a great deal of pain and heartache because you cannot get high-speed Internet there other than satellite. And a lot of her business advertising, a lot of her initial connections from the people that she works with are through the Internet. So for her, that is going to be a big headache, and we are talking maybe an hour outside of one of the largest—you know, big cities in the world here. That is just from my personal perspective a surprise.

In terms of, you know, what we do and how we reach our customers, what we have I think is acceptable for our company to do the work they need. But, again, I can see a lot of companies that do require much faster service where they have many, many servers on site. And it becomes more expensive very quickly when you start to hit those issues. And then if you move outside of a major city, if you are not in one of the magic zones, you are in the dark very quickly.

Chair LANDRIEU. Angela.

Ms. BENTON. So in my business, as Jesse just mentioned, I started out of my home, so my access was as good as the home Internet access that I had. But as we grew and got more employees, we have a distributed, I guess, company. So we have people in Tallahassee, Ohio, New York. It really is vital for us to communicate, even sharing simple files and documents. Without the Internet, we could not operate as a business. Without it, we could not even produce the service, which is content, to, I guess, our constituents at all. So it is definitely very necessary.

But one interesting point that I did want to raise, we actually had our first conference last week here in D.C., and it was called the New Media Entrepreneurship Conference. What we did, we did invite people from Government, but we had people from venture and then also entrepreneurs there, and we had African Americans, Latinos and a lot of other minorities were represented there.

What was interesting is a lot of the people that were there, their issues were related to not necessarily access, but once they actually built an application, just delivery. So they had issues in terms of CDNs being too expensive for a small business. So if that is the

case, that is going to limit basically the amount of entrepreneurs that can come online and actually do business in a meaningful way and actually distribute content easily for consumption.

Also, there was actually a study—and I cannot remember, but I can submit it later—in regards to minorities and our just general consumption of Internet usage. And when you look at minority businesses, it is actually significantly—I think it was maybe 30 percent or so less, and general consumption I believe is like 61 percent. So I guess the value that I can add is from a minority's perspective and people who want to build businesses online and that is their business.

Chair LANDRIEU. Thank you. Very good.

Bruce.

Mr. TAYLOR. Thank you, Chair Landrieu. We began business, Police Central, in 1995 as a server-based law enforcement software business. And we are a technology company, we are a software development company, so we did it the way we know how to do it. And we have technical folks that were doing stuff, building networks, acquiring VPN appliances, and building our own connectivity.

When I joined the company in 2001, we kind of refocused on our core business, which was building software for law enforcement. It is not building networks. It is not doing HR. So we outsourced HR, and the predictability of the costs that we get for both the HR side and also for the technology side, we were one of the first customers of a good company based in Atlanta that provides all of our voice, data, Web hosting, secure VPN connectivity for one predictable monthly price.

So that has been a very good thing for us. We have transitioned from our server-based solution to a Web-based solution, and in order to do that—and that has really been a competitive advantage for us. A lot of the big companies with whom we compete for law enforcement business have old technology. So we have got Web technology, but it is critically dependent on quick access and broadband.

For the agency, but equally important for us, we have grown from about four people in 2001 to ten today. So we are still a small company, but we are competing very effectively against bigger folks. We have two people supporting about 90 customers, law enforcement agencies all across the country. We could not do that without good broadband from the home because I will get calls in the middle of the night that one of our agencies in Minnesota is having a problem with a criminal warrant. And so the urgency is pretty obvious that we have to get that resolved. So connectivity to their system through the broadband and VPN secure connections provided by our provider are critically important to us.

On the agency side, they tend to be operating our jail management system software inside the agencies, but the issue really is that in many cases they want access from their vehicles. So they want mobile broadband access. Our solution is designed for on-premises and, therefore, has a fairly big network traffic footprint. But rather than re-engineer our solution to give them a subset of what they need today, we are really very interested, as they are, in expanding the bandwidth and the availability and the predict-

ability of the costs for them to be able to access our current solutions.

It is kind of, I think, an interesting coincidence that we are here today during National Police Week where clearly that is not the reason they are here, but the broadband needs they have are paramount, particularly in the wireless area.

Thank you.

Chair LANDRIEU. Thank you, Bruce.

I am going to turn this over now to Cheryl Johns Miller, if she will come forward, and you are in great hands. She truly is an expert on this subject, and thank you all so very much for contributing. This information that you share today is going to go a long way to help a lot of businesses in our country. Cheryl?

Mr. REECE. Just to build on what Bruce was saying, I want to talk a little bit about the learning curve. This panel is obviously success stories among small businesses, how you have transitioned to using the Internet. Can some of you speak to how you have made that transition and how difficult it was for employees? I mean, many small businesses that are out there just don't know where to start in using the Internet. Mr. Chapman was talking about getting online and transferring. Now you said 80 percent of your sales are Internet. A lot of small businesses would like to participate in the online market but just do not know where to start.

So, Mr. Morton, would you like to—

Mr. MORTON. Sure, I can talk about that. We started our company in rural Louisiana with my co-founded, Dr. Mike O'Neal, actually starting the company out of his house, just like a lot of you here have done. We were lucky, Adam, in the fact that we maxed out his capabilities of Internet there, which were broadband through CenturyLink—CenturyTel at the time. But we were lucky inasmuch as we had access to the university, and the university in Louisiana was connected to the Louisiana Optical Network Infrastructure, or LONI. So we were able to be the first customer in the incubator system at Louisiana Tech University, move our offices into campus as we grew, and then the incubator on campus gave us access to the optical network infrastructure for the State, which gives us access to 50 megabits up and down, as well as we have a commercial link for our day-to-day business and our back-up business through CenturyLink as well pulled to the business.

So one thing I would say to people in the early stages is if you are anywhere near a college, a community college, those are great access points for you to be able to get really high-speed bandwidth.

Another point of interest to us, back to what Angela was saying, we specifically save 50 to 60 to 70 percent of the bandwidth cost right now when broadcasting online as compared to an old-style, traditional CDN network, like an Akamai or a Limelight. So when you start looking at where the future is going to be, hopefully with our technology the future is going to be not only more people broadcasting, but groups of people that have not been able to broadcast because the cost of an Akamai is significant. And if you are an early-stage company or even a start-up company or a small business, you do not have those type of funds available to be broadcasting live, whether it's Angela's conference a week ago, here, or whatever it might be.

We provide an alternative to that, which is also a green alternative. If you look at the national footprint of electricity, a significant increase in electricity output to server farms over the next 5 years—which is going to be very, very significant when you start talking about all the other issues that the country deals with, and one of the reasons for that is more and more people are starting to try to broadcast video online, and we deal with that issue.

And one other point I would like to make is it is paramount to companies like ours and probably the bulk of the small businesses in the room and in the country that we keep the Internet truly open with true net neutrality—and by that I mean getting to a point where the big boys are able to control the pipes and control the content and then at will choose to drop packets on the floor—is going to be basically a noose around the neck of small business.

Ms. MILLER. I would like to ask—turn a different question out there for thought, and this is just to get a sense of sort of how some of you have gotten started, what resources you all have relied on. Has anyone in this room made use of any SBA loans or that type of funding to upgrade their equipment or to expand their service, purchase computers, et cetera? And what has that experience in terms of applying for loans with SBA and being able to get that funding, what has that been for you? Lowell, if you want to start.

Mr. FELDMAN. Yes. My initial loan in starting my company was through SBIC [off microphone] called Main Street Mezzanine, and they are great, and I want to actually juxtapose that to what we have been attempting to do with various broadband funds that are [inaudible] but with respect to small business, it is nearly impossible to deal with the RUS [inaudible]. Again, I [inaudible] spent a lot of money buying spectrum [inaudible].

In setting up the program for RUS, when you go to apply for a loan or a grant, if you are not entitled to [inaudible], you have all these hits against you [inaudible] seek out and find partners [inaudible]. In upstate New York, I was able to find a partner and am very hopeful that those grants will be awarded. But in other areas, like [inaudible] we were not able to find an ILEC who wanted to partner with us. We found other people [inaudible]. In particular, we found a company that already had a broadband loan to deliver service in the similar areas that we now had a license. It is called Internet America, and they came to us and said, “Hey, your technology is better, we would like to use you, we would like to be a partner in your application for BLP.” We tried to work with RUS, and not only did RUS tell Internet America you cannot modernize your loan to move to a better, innovative technology and partner with another company, but they also then prohibited anybody from trying to file an application to serve the same areas because there was already a loan out there.

You juxtapose that to a real banker like Main Street Mezzanine, and they will look at it, and they will say, Well, wait a second, we have had innovation happen in the last few years. What Internet America may have been trying to do a few years ago no longer applies, there is a better way to do it. Let us move that loan forward and issue new money.

And so anything that we can do to—I do not know if you want to take money away from RUS. There is a Broadband Loan Pro-

gram through the farm bill that they have not even administered, but maybe if you could suggest to RUS that instead of trying to manage the fund like it is only for incumbent LECs, if they can open it up to allow small businesses to come in and/or even partner with existing SBICs, and let SBICs leverage the money that has already been allocated by Congress so that innovative small business companies can go in and—again, we are not asking for a grant in this circumstance. We want to borrow money and put in infrastructure, and we are basically being told we cannot.

Ms. MILLER. Thank you.

Deborah.

Ms. LANDSDOWNE. One of the points that I wanted to make was the importance of broadband to my particular business because we do business all over the world and we have employees all over the world. And it has changed our whole business model because of some of the things that have happened in the economy, because of the traffic that is unique to this area, over and above some of the other areas. It is very difficult sometimes to attract some of the best employees.

And so what we did is we made a business decision to virtualize our business 100 percent, and that has allowed us not only to attract a very high level of very senior people that work with us because they appreciate the quality of life that they have and being able to work from a virtual perspective, but it has also allowed us to be able to employ more people because I have been able to cut my cost of doing business.

If there is no access to the Internet, high speed or broadband, for some of the resources that I am looking at, that becomes a very tough decision for me from a hiring perspective because they are not going to be able to access our network and some of the things that we have that run our business. So it is absolutely critical to us that we have the ability to be able to continue to have that access, not only here but for me and other pockets and other areas around the world.

Mr. REECE. And have you had employees that have had trouble accessing? Has that been a problem?

Ms. LANDSDOWNE. Yes, we have, and if that has happened, that employee is basically useless to me for the day or for the period of time that they do not have access, because every single thing that they have is online on the Internet, and that is how we communicate, that is how we do business, that is how we work, and that is how we function.

Ms. MILLER. How often would you say you have problems?

Ms. LANDSDOWNE. Rare. I have to say, quite honestly, rare. We have not had that many problems.

Ms. MILLER. Matt? And also, again, on the SBA loan question, if any of you—if anyone else has had any experience with it, it would be good to hear.

Mr. WOOD. I cannot speak to that if you—

Ms. MILLER. Okay. Go ahead.

Mr. WOOD. We do not qualify for that. I think what I want you to hear from us, from my business, is that small business needs to be able to run at the same speed that big business can run at. And I think that really is the bottom line of some of the issues you have

heard all of us talk about: access, penetration, speed. If you can solve those problems and put them in the hands of our small businesses, we will be able to run just as fast, and maybe even faster, than most of the big businesses can. I think that is really the perspective of this Committee, or it should be. What we are really trying to do is even the playing field.

Our particular perspective, Frito-Lay is our number one customer, and we are supplying Frito-Lay with probably, in the height of our harvest season, 40 to 50 tractor-trailer loads of round white potatoes in a day, and those are being transferred all over the country, mainly on the East Coast and into Canada.

The problem that we have is that everything is speed with them. They want it now. They want to be able to send back to us detailed quality information that includes pictures off the Internet, and they want us to react to that daily. In other words, they want—we ship to them overnight. They get it, they send us back the information, and if there is something wrong with the product or whatever, we get—they want to communicate broadband back to us and say correct this problem, you know, where did this come from, and speed is really the issue. The faster they can get that corrected, it saves transportation costs, it saves—it makes us more efficient, and we are able to solve problems so much faster. And that is really where our issues are.

You know, right now I think it is—the middle mile is going to be a big part of what we are doing, but how to regulate the end use out to those rural areas so that we can get access to it. Right now you are talking about what do we do—how did we learn to get access. We do not have any way—we cannot even pay anybody to get access to what we need because really the product does not exist.

Ms. MILLER. Following up on that point, if you all had to rank speed, quality of service, and cost for service, what would you list as the most important thing for you as a small business owner with regard to your broadband service, if you guys could speak to that? Jesse.

Mr. VAUGHAN. Yes, I would say it is a combination of speed versus cost. For a lot of small businesses to get your foot in the door, just for the very slowest service, you are talking between \$60 and \$120 for a base package, which does not sound all that bad, but I was doing some poking around on the Internet to see what it compares to in other countries. And to get the basic package in the U.K., for example, is 15 pounds, which is about 25 bucks. So it is comparatively much cheaper for a small business.

And the other thing is that speed for us is very important. About 25 percent of our company now works—probably closer to 30 percent, actually, works remotely, and we incur their Internet connectivity fees from wherever they are. So we are incurring fees from California and Texas and different places. And if we have developers who live in rural areas, that is a huge cost to our business because they cannot get the speed and service they need.

So, really, speed and being able to transfer—they say, hey, I need a DVD's worth of data, if we do not have the bandwidth necessary to get that DVD to them, we have got to ship it to them. Then we

incur costs for expedited shipping that would not exist if we could just e-mail it.

Ms. MILLER. Thank you.

Bruce.

Mr. TAYLOR. Yes, for us, our customers are State and local governments, so in almost every case, a county or a municipality or a State agency is already on some form of broadband. So we do not typically have a problem reaching our customers on premises, and the services that we are getting locally in Atlanta from our own provider that, as I mentioned, bundles all the various services we do have, provide us the capability to get to our server-based solution in our customer agencies.

However, the issue—and it is the major issue for law enforcement today—is in the mobile broadband, and it is really three things. It is the coverage—because Atlanta is in Fulton County. It is not a really rural area, but there are portions of Fulton County where it is very difficult to get even a modest cell signal. So coverage is an issue. Cost is an issue. Municipal governments do have dedicated lines and connectivity, as I mentioned, but they do not have budgets. So adding per vehicle costs of \$60, \$80, \$100 per month per financial, which is what typically is available today, is really a very difficult thing for most law enforcement agencies.

The third thing is the bandwidth itself, the speed of the broadband connection, particularly for vehicle-based solutions, because we today—and, you know, every law enforcement vehicle you see on the street has a laptop and it has solutions that provide data to the officers. However, they tend to have been optimized to very limited bandwidth, so they necessarily focus on the two or three critical things that they need to do.

Our customers want to see photos; they want to see fingerprint images transmitted in some cases. The most important thing is photos. Obviously, transmitting photos requires a bigger bandwidth. It is not a video kind of bandwidth requirement, but it is still more than many of the wireless broadband solutions today at affordable cost are offering.

Ms. MILLER. Thank you.

Tee Rowe.

Mr. ROWE. Well, in our network—and this builds a lot on what Mr. Wood said. Our rural intrasection—and Jim Heckman of Iowa is the chair of it. He equates broadband access and speed to the farm roads initiatives of the 1920s and 1930s. Essentially, he is out there in Iowa, and he has got cities and counties that are dying because you cannot get access; if you do have it, it is dial-up. And it is impossible to market, it is impossible to reach out for small businesses in those rural areas if they do not have the ability—and, I do not understand half of what Lowell and Marcus are talking about sometimes, but I know these folks. They face exactly the same problem Mr. Wood faces. They have a market, and they cannot get to it. It is just like not having a road.

Ms. MILLER. Thank you.

Roger.

Mr. BUNDRIDGE. Thank you. I have got a solution for everybody. Move to northwest Missouri.

[Laughter.]

Mr. BUNDRIDGE. [Off microphone] My company has been offering service for 19 years [inaudible]. We are, again, a primarily rural area. We have a university [inaudible]. Sorry. Anyway, our company has been successful. We compete directly with AT&T, Spring, T-Mobile. That retail center is our market. We have 22 employees. We do everything. We do billing, customer support, networking, everything out of our one location. So when they come in, they can see a face, work with us directly, and it provides the customer a better experience.

I do provide services through—we have a 3G solution. We actually provide service to a potato farmer, Garst Farms in Watson, Missouri. They use our services to do the things that you would like to do with Frito-Lay. Some other things that we also do is law enforcement. We have 27 data cards that we provide to law enforcement. Just in the last 6 months, I got a State grant to put this type of system that you are speaking about, Bruce, into the vehicles.

We are the only company that can provide a 3G solution for the whole county, so we have the public safety, the sheriff's department, and the campus safety. They have this software that you speak about where they can get the pictures and take away some of the tasks that they would have to do originally where they have to go back to the dispatcher.

Some of our partner ILEC telephone companies, they use our data cards and laptops when they are out in the market to troubleshoot network issues, do work orders. It basically allows them the ability to do the work on-site, makes them more efficient. They do not have to call back and have somebody networking between them.

John Deere. There are two John Deere dealerships in our market. Between the two John Deere dealerships, they have over 30 data cards with us, and their technicians that go out and work on the combines and the tractors in the fields, they take these data cards for access to manuals or different things to make their job more efficient, while they are on-site rather than having to go back to their shop. They can take care of the customers more efficiently.

Insurance agents, they will use our data cards. Real estate agents, the same way, showing people homes, makes their job more efficient.

Location-based services, John Deere has started implementing or installing—you probably know—GPS-type equipment in their combines, and my in-laws' farm, I have been in their combine, and it is very unique. You are harvesting and you have got this color-coded map that occurs, and it shows your yields as you are driving. That information is transferred—well, it is actually saved in a database through John Deere, and they actually take that data, provide it to the chemical companies, and during the spring, when the chemical companies come through to apply applications, their drivers are just drivers. They do not have to adjust what they are putting on the fields. It automatically does it according to what the yield was the previous year.

I have seen this. It is really cool. The younger farmers are jumping into it and getting accustomed to it.

The chemical companies, our market, they did not have the money to go out and put the GPS equipment on these towers. We allowed them to go in to—well, any of the towers we wanted. We gave them a list of all of our towers. They went into four of them. And I am sure as this takes off, they are going to come into more. We allow them to place their equipment on our towers for free. The majority of all the farmers have our service, so it is a complement, something we can offer. We give them free power, let them have access to our buildings, give them the combinations. We trust them. We work with them. We know them personally.

I know a Mac Tool rep. He uses our software or our EVDO card for his mobile truck to go out and sell tools and have access to his catalog. He can do the orders on-site. He does not have to wait until the end of the day to place these orders.

We have over 200 wind turbines that have been introduced into our market, and the wind turbines have a fixed broadband solution through some of our ILEC partners. However, they have our data cards for back-up or emergency purposes. And they use our data cards when they are mobile, some of the technicians, but primarily they just have our data cards as a back-up in case they lose service on the fixed solution.

I can go on and on. I know auctions that have occurred where they have opened up a farm auction to eBay so that somebody could—they do not have to actually be at the location to bid on something. They can use the eBay solution to remotely connect into the auction.

My company has invested in putting in 3GN. We did not apply for the broadband stimulus primarily because we have 3G, we want 4G. We have invested in spectrum, just as Lowell has. We have 87 megahertz of spectrum, and we are only using 25 of it because we have been buying spectrum for our broadband solution, and the obstacle we face today is that there is no manufacturers out there producing 3G equipment for us. We are currently this summer upgrading every single one of our cell sites. We have 30. And they will all be capable of LTE, which is the 4G solution that we are choosing. We have fiber to the majority of our sites. We are actually going to be installing fiber to the rest of our sites over the course of the next 3 years.

The obstacle we face, though, is we cannot get access to handsets. There is no road map for a company like ourselves to have access to handsets. And there is no—even though our equipment is going to be capable of providing this solution, that is only in our cellular broadband—or cellular service we offer today. We bought this additional spectrum—which we have pretty much maxed it out with our 3G and our voice traffic. We bought this additional spectrum so we can use it towards 4G solutions, and today there is no equipment being produced for us. Verizon is having some equipment, AT&T, but it is band-specific to them. And so the spectrum we have purchased today has no value.

So there are a lot of things that we are trying to do. The Commerce Committee is concerned with spectrum and the fights that companies like myself have with the big guys. The Small Business Committee has weighed in on behalf of the small guys, and espe-

cially on issues necessary for us to compete going forward, like with data roaming or handsets, handset availability.

I belong to an organization, Rural Cellular Association, and many of our members have gone out and formed a consortium. Today there are 34 members of this consortium so that we can get handsets or have handsets developed for us.

Unfortunately, in the first quarter this year, 90 percent of all activations that occurred were with Verizon and AT&T, so 10 percent would be every other company outside of those two. When you come down to my company, we have 12,000 customers, or even if you look at the ACG group, we have approximately 4 million customers combined. We still cannot get handsets produced for us brand-specific. We have to wait until an exclusive deal with the handset expires, and then we can have access to it. You know, we do not have exclusive deals.

So those are my concerns going forward. I want to provide service to all these existing customers that I have today with 4G, and I would like to offer it tomorrow to them because their business is changing—3G is great for them. They are able to have access. I think sometimes maybe these businesses that I have might take it for granted. I would love for them to be sitting in this room hearing about the struggles that everybody has here.

What we are facing today, though, is that the 3G offering that is out there is not fully mature, and you already have companies that are migrating to 4G. So there are a lot of areas like my market and many other markets throughout the United States where there is nobody that has a vested interest there. There is nobody who takes ownership. I grew up there. I know the people. I hear them every day, so we have a vested ownership. We have a vested interest. We want to take care of those customers.

On top of all this, we have to compete on price. We do not have the iPhone. We do not have some of these exclusive phones. So not only do I provide all these things, I provide them lower than the national competition. I have to do that to compete. Our data plans are lower. We offer carryover minutes. We called them rollover minutes and got a phone call one day, and we had to change that. So any service that the national carriers provide we provide.

We have a customer that comes in, they say, How come you don't have this? We will put it in place. So, you know, not only are we providing the service, we are providing it at a much lower cost to our customers.

Mr. REECE. Just to follow up on that, you talk about the needs for small businesses versus the big guys, and Congress continues to look at a number of initiatives, for example, the National Broadband Plan, stimulus projects, and whatnot. A good question that we would like to have the panel on the record addressing is what are your recommendations for Congress from a small business perspective? Lowell, what can be done to even out the playing field?

Mr. FELDMAN. I want to jump on Roger's comments first. A very practical thing can be done. What Roger is really talking about, I think, at the end of the day, is his interconnection rights with the giant companies. In essence—and we all have, as service providers, as carriers, as common carriers like a wireless provider, or as a

common carrier like a CLEC, we have an entitlement under the current act for interconnection rights. However, trying to implement those rights with respect to data roaming—and, for example, we would be able to launch Bruce's service tomorrow, before I even build up anything, if I can have an explicit right to data roaming in-network with AT&T and Verizon. If I have that right, then I can start building out my network that gives them the full-speed video with 4G because I have a roaming right with the existing networks that are there. And roaming does not mean you get it for free. It means you pay for it when you use it, but you have the ability to overbuild and build it yourself.

While we in theory have all these rights, in practice we have none, and all you end up with is 10 or 15 years of litigation. So a very practical thing that you can do is you could charge the FCC to actually put out model agreements to say, "You know what? It is not just that we give you a legal right. We are going to actually spell out this agreement is in the public interest. The rate is X, the terms are Y, the interconnection facility is Z, and this is how it is going to be." These are things that the FCC and others do not want to go tackle because if they tackle something and they put forth an agreement that is in the public interest that allows smaller carriers to basically play on a more level playing field, it does take away a major benefit that AT&T and Verizon enjoy, which is monopoly status. Because what you are doing is you are saying, well, wait a second, we want to promote something else.

I mentioned disaster recovery before. I have been working for 10 years to put forth a non-geographic service for disaster recovery, so when people are displaced, they can dial up a 500 number that I was able to get through my CLEC. AT&T has effectively blocked my ability to use it by saying they do not think it is really a service, except when they provide it, and the only way it is going to be provided is if I pay them \$20 million up front and 10 cents a minute.

Well, obviously, it is not a service there. It is more like an application that we want to provide when people are displaced that they all can call a common number and be routed to them and leave messages for them. That is an innovative application that we are barred from providing, not because under law I am prevented from doing it, but because in practice, to implement the law it has taken 10 years, we still do not have an answer. When we do get an answer, it is probably not going to be the one that I want, and I will probably have to appeal it to some court somewhere. And that is what is unfortunate. So you can get out in front by doing practical things, very practical things.

We were talking earlier before we got in also about changing the fund. The Connect America Fund is what you are talking about when you are saying let us move and change universal service. The current Universal Service Fund is designed to subsidize basic phone service, and it is not just designed to subsidize basic phone service to the exclusion of broadband and other things, but it has done so in a way that incorporates 50-year-old regulations and policies. It is very much like in the digital photography world today, where we all have digital cameras, as if we are taxing the new innovative digital cameras and saying you have to go subsidize the

old film. In essence, every small business that is out there that provides any type of service has to pay into this fund—14 percent of your total revenue—that then goes directly to subsidize not just other companies that you compete against but a service that you are not even really technically allowed to provide. That is just wrong.

It is not that we do not have a need for subsidy for low-income people or for rural areas. We obviously do. But we need to change it so that it, like the Internet does, tries to get closer to the users and empower users to make choices, not empower a business model that is 50 years old that regulators are accustomed to dealing with.

Ms. MILLER. Thank you.

Angela.

Ms. BENTON. I want to circle back to what Roger was talking about in regards to fiber-optic networks and 3G and 4G networks. For me, I did have like a standard kind of DSL connection, and the bandwidth was limited. So I consider myself like a power user. I am online all day because that is the nature of my business, and I would be limited. So at some point I will either have to restart a modem or something, but it was just—it was not good at all, and that was through AT&T.

The service that I have now is Clear—and they provide 4G, and that is actually really fast—in my home but also mobile. So I use their Clear spots so I am able to actually work wherever I go.

In terms of penetration, though, I feel like—and I am not sure. Lowell or Roger probably know a lot more about this than I do. But it seems like bigger businesses are only penetrating certain markets, and they do not include rural, unserved or underserved communities. And so that is a huge issue for people in rural America or even in urban communities who want to be small businesses and want to be entrepreneurs. If they do not have high-speed Internet access, then it just sets them back. It is like going back 5 to 10 years.

Ms. MILLER. Thank you.

Chris.

Mr. CHAPMAN. I was going to try to answer a few of the questions. The SBA question you had, I am just starting the process, so I can get back to you in a few months and let you know how that worked.

Ms. MILLER. Great.

Mr. CHAPMAN. Speed, reliability, costs. I am a small business, a winter business, so I do most of my business 4 or 5 months of the year. So speed and reliability are tops. If my system crashes for 3 or 4 days in the middle of winter, it is devastating for me.

Cost is an issue because I am small business, but I can always negotiate cost and work on it. I can change my model. Speed and reliability are critical.

Adam, as far as your question about how we grew, one of the most exciting parts of our business is how we can compete with everybody in the world, being a small, 5- or 6-person family business. We can run circles around customer service with the big box competitors. Communications, usually Skype and broadband communicating, I actually export to China four or five times this year. I have imported products. I have communications, which at first

were very daunting, now are very cheap, easy to communicate and make quick, quick decisions, which in my business is critical.

We bought closeouts from manufacturers, and in the past only large companies could tap into their databases and see real-time inventory. Now even as a small player, I can do that and find opportunity and move quicker.

We have the width we need right now, but we are pushing the limit, and I think soon we will be looking for alternatives. I cannot get fiber optics where I am right now because I am in a rural environment, but with all the changing so fast every day—it is an exciting part of being in business. In 6 months, it will look a little different than it does now. You can see the media coming, the videos, the photographs. It is getting larger and larger and larger bandwidth. So I will be upgrading soon, and I will be looking for those things. I am limited right now, and that may affect where, if I choose to move or relocate, to where those are available.

One last aspect is just the way small businesses can start up so quick now, and I have a lot of friends. We form groups of Internet cells to protect ourselves, because we are all small and we need a big voice to speak out to the industry and marketplaces and everybody. It is amazing how you can be interconnected around the world right now. I am in the ski business, so how I can compete in—people want personal questions answered about how to ski and what to buy. Big boxes cannot supply that service. I am working with the people in Australia who can give me 24-hour service at night to answer questions. So my customers 24 hours a day around the world can call or e-mail and get an intelligent response. Who would have thought 5 years ago I could do that? I can have programmers around the world. I can have graphic artists coming, giving me artwork. Without broadband, I cannot even receive it much less communicate with them. So it is just critical for a very small business like myself.

Ms. MILLER. Thank you.

Marcus.

Mr. MORTON. Thank you. I just wanted to go back to the question that you and Adam had about the SBA. We have not done any SBA loan programs, but we have won, I think, four or five competitive SBIR programs, the last two or three with the National Science Foundation, administering them. That program has been a very big success for us as a company and has helped fund our original development of our patented technology that we now have five issued patents for and another, I think, eight patents pending behind that technology. We would have not been able to take those early steps without that program, and I think the SBA should certainly look at putting more funds in that direction.

And one other last point is one of the ways that we think you will see the bigger companies run out to provide broadband services to various areas is by bringing them more customers. We just put in for a BTOP grant in the second phase that would allow us to provide about 2,000 high schools in the U.S. with our technology, enabling them to broadcast all of their sports online and their graduations, as well as distance learning. And the point there is if you can help in an innovative, cost-effective way drive more traffic to

the Internet, I think ultimately you are going to see the dollars chase that traffic.

Ms. MILLER. Thank you.

Jesse.

Mr. VAUGHAN. Yes, you were asking about what advice or things to recommend to help small businesses with this issue, and providing some more incentives to companies such as Mr. Bundridge's company through wireless to the large service providers such as Cox and Comcast and Verizon to provide broadband service to areas that do not have it and do not have it available I think is going to be very important moving forward, because there may be stuff out there, but clearly it is not getting broadband to where it needs to be. The big concern is that it is not just small businesses that exist today, but when I grew up, the Internet was not really big yet. Now it is. And we are seeing huge impacts on the way that we educate children in the future. And areas that do not have broadband, we are affecting small business tomorrow because now they are not getting the broadband that they need to become well educated, to get that entrepreneurship going, where they can now become a small business. And that is a big—you know, that is a huge financial loss, and to me, there should be equally large incentives to get broadband to those people because, otherwise, America is going to fall behind in the future.

Mr. REECE. And that is a great point, and I wanted Tee to touch on this, and this is our next item on the agenda, anyway. Tee, can you talk about what education resources are out there for small businesses? Jesse talks about children. It is not just children that need education on broadband. I know my parents live in north Georgia and could not know less about technology and broadband. So, Tee, if you could kind of touch on—

Mr. ROWE. Yes, well Marcus raised a very good point that it is through education that we are highlighting—I will not say creating. The markets are there. We are highlighting their existence.

The great thing about SBDCs is we operate in conjunction with colleges and universities, so there tends to be the access there. The problem is the penetration issue that Angela spoke about, and that affects the whole quality-of-life issue, which is why Chris lives where he lives and works the way he does. And we completely disable those things because, unfortunately, there is too much concentration and overbuilding. So you have got piles of access in San Francisco and Boston and New York, and, frankly, when folks argue about net neutrality, I think somebody in Mason City, Iowa, says, "What the hell does that mean to me? I cannot get bandwidth to save my life."

We are trying with the Small Business Development Centers—I brought with me something that Sprint—and I hope that is not a dirty word to some people—has helped us put together for 2 years now. It is called Practical Tech, and it is just basic information for small business users on how they can use bandwidth to build up their business through marketing and through basic efficiencies that you might not think of. But it is all—and we have distributed hundreds of thousands of these. But it is all wasted effort if the access is not there.

We are working with SBA and FCC on the Broadband Plan on the educational side of it, and it is an interesting situation because for me I look at it and I say, gee, we could do some amazing things, but then when I get right back to the basics, it is we have to do this face to face through an SBDC and at a training seminar that we might hold in Dubuque or Lafayette, Louisiana. We have to do it face to face because there is no point in putting together an on-line training tool for people who do not have bandwidth.

Mr. REECE. Right.

Mr. ROWE. You need to get to them. And the more people we can get to and the more we can make this apparent that the market is there, I think the more that will stimulate folks to hopefully think a little more clearly about the way they are operating with Lowell and the other smaller providers. Those folks are there, and I am glad SBIR—and SBIR is an amazing tool. Our folks in Missouri do a lot of work with SBIR. It needs to be expanded. There needs to be more funding put in through SBIR into innovative broadband solutions for rural areas, because, unfortunately, to a certain extent, we cannot always rely on the larger providers who are looking for the larger markets. They are not necessarily going to look at 200 people.

Mr. REECE. Do you find the overwhelming comments you get in your rural areas is lack of access?

Mr. ROWE. Yes, it is really as simple as that. I would love to use the—“I have a great idea, and I have to leave where I live because I cannot operate an Internet business from here. I have to move.”

And it may not be something terribly technically advanced. It could be something as simple as being an architect or running an industrial design firm. But when you have to send complicated drawings, you need bandwidth to do it.

Mr. REECE. Sure.

Ms. MILLER. Thank you,

Bruce, did you want to follow up?

Mr. TAYLOR. Yes, if I could. I just wanted to make one other point. I had mentioned in my comments before that we are acquiring all of our services from one firm. It happens to be SeeBeyond, and they have done great stuff for us. And we actually attempted fairly recently to work with SeeBeyond to come up with an affordable offering that we could offer to one of our local sheriff's offices who wanted mobile access. If you think about mobile broadband for law enforcement, it is sort of a force multiplier. If you require the officer to get back to the squad room to do stuff, it is both a potential public safety issue—he is not out doing something else—and he is also not doing it as effectively as he could.

We do have data cards from SeeBeyond. I am using one. I can use it up and down the New Jersey Turnpike driving up and down to Cape Cod every summer. However, there are regions, including in Fulton County, where coverage is not available, and the price point that SeeBeyond was able to offer was not really going to meet the Fulton County sheriff's office budget needs in tight times.

So I think—and, again, I do not understand all the technicalities of it, but since a provider like SeeBeyond is critically dependent on affordable access to the pipes and the fiber that is there, then there is a constraint there that—I do not want to go to a big guy that

is going to make me unbundle my services and do part here and part there. What we need is to have an affordable way to have the SeeBeyonds of the world have affordable access to the broader band, in particular wireless in our area.

Ms. MILLER. Thank you.

Roger.

Mr. BUNDRIDGE. I wanted to touch on a couple of things here. For one, Lowell mentioned public interest, and Bruce was talking about these public safety cards. The public safety, the sheriff's department, contacted us when they were doing their application for a grant. They did not have funding to support a long-term solution for the broadband. They were just experimenting with it. My company, we made the decision because we knew it was in public interest. We discounted those cards. We cut the price in half because we felt that we needed to provide this service.

Again, to me, mobile broadband is a complement to the fixed broadband. It is not a replacement. Some people out there might think that 4G is a replacement. In Angela's case, she mentioned she is a high user. It is strictly a complement. When you are home, you are better off to be on a fixed solution. What I want to provide is a complement to the fixed solution which is a mobile solution. By no means is it a replacement, and it never will be. The things that we are facing going down in the future with 4G and some of the other applications and products that are available, we are going to look back at how much bandwidth we use today, and we are going to laugh.

I remember the first computer I got years ago. It was like a 20-gig hard drive, and you are like "Whoa, that is great." But it is not enough now.

When I mentioned that we did 3G, we do not have a 3G roaming agreement. We have asked—we have inquired about getting one, but we do not have one to date. My customers go to 2G when they leave my market. Eighty-five percent of all my usage occurs on my cell sites. Another 10 percent occurs within a 150-mile radius of a market. Omaha and Kansas City were in the middle there, and we have a major interstate that travels between our area. Another 5 percent of our traffic occurs throughout the Nation.

So today it works. Today people are satisfied with their data use in our market. My concern is moving forward not having a 3G solution or not having a 3G or 4G roaming agreement. Today my customers—we have introduced the Android in the last 6 months and BlackBerrys, and it was very hard for us. It took us over 2 years to get a BlackBerry agreement. We were told once we signed the agreement it would be a year before we had product, and it was more than a year.

Those are struggles that companies like mine face, and even though we faced not having BlackBerrys, for an example, we still were successful in customer growth. Customers still choose us. My concern is, though, going forward—my wife last night, she was reading Facebook, and there was somebody that she had friended that she is not really close with, and they were making comments about cell phone providers, and I am sure they did not realize she was seeing these things. There were about 15 messages going back and forth between people, and they are all in my area so it was

good to hear. Nothing was negative against our company, but one customer pointed out some benefits of a phone we offered. It is a Quantico. It is a waterproof phone, shock resistant, and they were—when I get back, I am going to send them a gift certificate, because they were really—they were doing a great job, and they must have been reading something off our website.

But the point of that is three or four people on there mentioned—and I know who these people are, and they are people that we work with and we do business with, at least, work with in companies, like insurance companies that we work with, and one mentioned they love their Pre, which, we cannot get the Pre. Another one mentioned the iPhone is the best phone to get, which, I have an iPod, and it is pretty cool. I would love to have an iPhone. I would love to be able to offer the iPhone.

Today in our market, we lose—on a portability case, we are 3:1 ratio as far as people porting in numbers versus people porting out. And our primary competition would be AT&T, and of the people that leave us, I would say 80 percent are leaving us because of the iPhone.

I can also tell you that a good handful—I mean, I just heard a name yesterday, and we also are putting a commercial together with somebody who is doing a testimonial for us, where they thought they wanted the iPhone. They got the iPhone. They loved the phone, but they did not have service. So they paid the early termination fee and came back to us. That happens quite often. I mean, people see something like that, they want it, and after they get it, if they cannot use it, then it does not do any good for them.

We have introduced the Android phone, which is a very cool phone. Most of the applications on Android are free. It has helped us. It has given me a sense of maybe a little bit of light at the end of the tunnel, because now people are taking data. They can justify paying the data service when they get these applications. And in Lowell's case, if he called me up and said, "Hey, Roger, we have got this—we are working with the law enforcement in your area, and we want to provide them these data cards," we would form an agreement with them right away because, honestly, the amount of money we are charging our law enforcement is probably not paying our costs, or if it is paying our costs, it is probably barely paying our costs. So, honestly, in my case, I would probably be better off to give him an affair roaming agreement, but—

Ms. MILLER. Thank you. In the interest of time, I want to shift gears just a little bit. I am sorry. I do not mean to cut you off, but we only have the room for so long, and I do not want to miss anything that has been on our agenda.

Earlier on, the notion of barriers to women- and minority-owned businesses was raised, and the National Plan does address this in part. One of the things that it talks about are public-private partnerships and the way that they can possibly help socially and economically disadvantaged small businesses and also the targeting of small and medium-size enterprises in low-income areas.

I was curious. I know not everyone here is familiar with the plan or has read it. It is huge. But what thoughts or ideas—and I open this up to everyone—does anyone have on this? If you are a small business yourself, what ways do you think Congress or the FCC

or—what things can they do to implement this or what would make sense? If you are a provider or if you work with providers, what things do you think that the private sector could possibly be helping with in this area? Lowell.

Mr. FELDMAN. The first thing that we should do as far as subsidizing low-income areas that you mentioned is try and subsidize to the degree we can the users in some direct fashion rather than through a centralized fashion. A great example is low-income housing.

Today, and even really the way it is structured right now, it is set up so that a business model is subsidized, where a provider has to get some designation in order to be subsidized. It would be much more efficient—and we have worked with nonprofits, the University of Texas—when I say “we” on this one—has worked with nonprofits in Houston and Austin called Austin Free-Net and Technology for All in Houston, and housing authorities and a nonprofit company started by some of my students called U.S. Phone, where if you change the model and you give the housing authority in charge of the project money directly—and you are talking \$8 to \$10 a month per user. But you give them money directly, they do not just get phone service at a discounted rate, but that \$8 to \$10 to a 600-unit housing complex can actually provide broadband to the entire complex.

So built into our current systems of universal service is horrible inefficiency. With respect to that, that would greatly benefit small business because the small business providers who would go in, and wire the building for ethernet are all small businesses. The people who are going to be doing the work are going to be contracted to put in the ethernet and do the various things.

So we have got to—it is not that the money is not allocated. There is billions of dollars spent every year to subsidize low-income. It is just spent to go to the pockets of AT&T and Verizon. It has got to be re-spent in a better way.

So HUD, anybody who is a HUD user or a HUD provider should be able to get the money directly from the Universal Service Fund so it can decide who to buy the service from and how to deliver the service.

I also think that to create sustainability, anybody who is eligible for money in any way shape or form should be sunset so that the fund is not abused. The funds that have been allocated already—and so this is, again, how we structure a fund going forward. We have let universal service just get away. It started at \$2 billion and now it is \$9 billion a year, and it really is very inefficient.

I would suspect that, if not a majority, a very large percentage of the current subsidies, services that are subsidized, are not even used. There is not even a measurement to say to AT&T or a cell phone carrier, “Hey, before we give you this check for \$38 a month, did they use the service?” It is obscene.

I know of companies that have gone out just to get satellite phones, just to get a right to get satellite phones so they can hand them to farmers and say let’s stick them in your truck. At the same time, ILECs in rural areas are mandating that even though somebody just wants broadband, it comes with a phone line, even though the phone line is not used.

So we can look at the way the fund is done now and just not make the same mistakes.

Ms. MILLER. Thank you.

Deborah.

Ms. LANDSDOWNE. I think I would take that a little bit further than just saying subsidizing. You have to empower people, and you have to train them, and you have to create opportunities. So if there is a way for Government and big business in particular to play a role, and even small business, it is going in and being able to put programs and education in place and job opportunities so that they can see how broadband really affects their day-to-day life and not just from a TV or an Internet perspective, but it is a way that I can make money. It is a way that I can reach out. It is a way that I can create jobs in my community. I would like to see it go a little bit further than just a subsidy of putting it in place.

Ms. MILLER. So you think education would be a more important focus.

Ms. LANDSDOWNE. Absolutely, it is critical.

Ms. MILLER. Angela?

Ms. BENTON. I really agree with what Lowell just said and also what Deborah just said. But to piggyback a little bit off of what Lowell just mentioned, not only—if we work with HUD, not only will you from the National Broadband Plan perspective help consumers with access, but then those consumers then in turn turn into small businesses, and then they have the opportunity to become an entrepreneur or to build something and become a builder.

With that said, I definitely agree with Deborah. Part of what we discussed last week at the New Media Entrepreneurship Conference was—and there were entrepreneurs in the room. They do want to work with Government and private sector, so some type of program that may be similar to an 8(a) program, but focuses specifically on people who are interested in technology or new media type of companies.

In addition to that, education was a big thing, because even though—a lot of times in minority communities, when you think of you want to be an entrepreneur or you think of you want to be a small business, it ends there. They do not necessarily know, okay, well, how can I take this a step further. It is somewhat short-sighted. So they do not think about their business from a sense of scale.

So just allowing them to actually have access to the Internet, but then also providing education, and then also providing education not just on how they can use the Internet, but how they can build a business with the Internet. That includes structuring business models, financing, the whole kit and kaboodle.

Mr. REECE. I think that is a great point on the role that SBA needs to play in this process. At the hearing we had on April 27th on broadband, both Chair Landrieu and Ranking Member Snowe pressed the SBA to be a legitimate partner in the process, because I think that, like you said, building the business, not to mention the technological aspect of it, is going to be important. So, Tee, maybe you can talk about your partnership with SBA and how that will work moving forward?

Mr. ROWE. Right. Well, Deborah and Angela are absolutely correct, and I will go quick because I know Roger and Jesse have something to say.

Our partnership with SBA—and I just met with Ana Ma, the Chief of Staff, last week. We are developing, besides the professional development training we are doing on teaching our counselors to teach folks about the use of social media as a marketing tool, building an Internet-based business, all of that, it is also developing a model, a training seminar that will go out to small businesses, a hands-on.

We have actually a very gifted presenter who works with us who used to work for Microsoft, and we have developed a curriculum, and we are working on the happy side of it, which is finding the funding. But I am confident that with partners like Sprint and some other folks we can get there.

But it is what Angela said. It is getting to the individual and telling them that this opportunity exists. And it is not just in the rural areas. I think this is something we vitally need to do at our SBDCs in Manhattan, the Bronx, and Detroit, for crying out loud, to tell people there is more than your neighborhood, and you can get to it and here is how.

Ms. MILLER. Thank you.

Roger.

Mr. FELDMAN. [Off microphone, inaudible] We have used the funding to go into remote areas [inaudible]. We also will provide amplifiers to homes, businesses, [inaudible] sorry. We will provide additional assistance to get customers coverage, and we install those at no cost.

In my viewpoint, though, some of the things that frustrate me, there is another company that is a USF recipient in our market, and I see them building sites today in areas where I have a tower and I have had a tower for 5 or 6 years, and they are building it either in the same field or right across the street, and we are using the same technology. It makes no sense, using the funds in that manner.

So I think better guidelines and better management of the States to understand—we have to give a 2-year projection of what we are going to do with the funding, maps included. So there is a road map there. It is not like I just put it up and said here is what we use it for, so I think better management would be ideal.

And the last thing, I think for my company, we have been very successful. We have a 30-percent penetration. Customers prefer us over any other carrier in our market even though we have the big guys competing against us. But I feel like we need to have mandated third- and fourth-generation services for companies like mine in order to compete down the road.

A larger carrier has no vested interest in my market. We have 15-percent population density. In the last 9 years, our population has declined 3 percent. They are going to build out the major interstate, and they are going to build to the university, and all the other communities that are suffering the decline in population are not going to get any support.

So when I see the wind turbines coming in, I see hog confinements coming in, I see John Deere and the things they are doing

to help the farmers be more efficient, those are things I can do to assist those businesses today and hope to stabilize the economy in my market.

Ms. MILLER. Thank you.

Jesse.

Mr. VAUGHAN. This goes back to what I was saying before and also something that I think Tee or Marcus said earlier, and that is that—well, I guess there are sort of two parts to this. The first part is going back to the incentives. You were saying that the large companies in the large cities, you have sort of an over-infrastructure there, and then in the rural areas, you have sometimes almost nothing. So to me, that says that the incentives to build in those areas are not sufficient to level the playing field. They are not going after the small company or the small communities that have some businesses in them because it is not worth it to them. So doing something to make it worth it to them to go out there, whether it be money or funding or tax breaks or whatever, to get them to be of value to those large companies and to small companies to fill those gaps.

And then in terms of the women and minorities, I used to work with Career Education Corporation, which has a lot of the career colleges, and I used to see all the time these students who were trying to start their own companies and were using Internet services at the university to do that, but did not necessarily have those Internet services at home, either because they could not afford them or because they could not get those services for whatever reason.

But as you were saying, there is an economy of scale to provide services to a large—maybe a Section 8 housing community, for example, and giving some kind of an incentive to get companies in there to do it at a reduced cost, to do it at—to provide that service to them will get more people in the minority sector or in other target groups to give it a try and to try and get their business going. And you know what? Some of them are going to probably fail, but some of them are going to succeed and some of them are going to become successful because of those opportunities that are presented.

Ms. MILLER. Thank you.

Lowell.

Mr. FELDMAN. I will try to be really, really quick. One thing about education and outreach, as we were talking about earlier, is it typically is not a profit motive endeavor, and I think that should be recognized. And at the University of Texas we have worked with, TFA, Technology For All, and Austin Free-Net, all nonprofits that have outreach. And while we have applied for BTOP funds to create a best practices center as a collective group to do a lot of these education things—and I think doing any type of Web design and things like that for users would fit right in. There is no guarantee that we are going to get it through BTOP, and it is not a bad idea to say that part of a broadband plan that you are going to have education and outreach and at least some type of best practices center on a regional basis created. I think that is a very good idea.

I think the other thing, as we are talking about money, and money going to subsidize different people in different ways in different areas. You do not always have a good cell provider. You do not always have a good incumbent LEC. And I think as we create a new plan and get rid of the old—and I am 100 percent in favor of killing the old universal service system because I think it is very, very bad. But it needs to be replaced, okay?

We can do things like what the Government has done with highway funds, and say if you want to participate in this subsidy program, you are going to have very clear non-discrimination standards on your network management so that you cannot drop packets on the floor; and you are going to have very, very clear transparency rules that may or may not be, as the Chairman of the FCC is finding out, under the current act. But it certainly can be something that, if they want subsidies—which is not an entitlement by any carrier—they have to obey certain rules so that Marcus' platform cannot be discriminated against in favor of a Time Warner video platform or somebody else's.

Mr. REECE. Well, I just want to say on behalf of Ranking Member Snowe that your testimony has been very helpful and insightful from a small business perspective, and we appreciate all of you being here today.

Ms. MILLER. Yes, I just echo that on behalf of Chair Landrieu. I want to thank you all for coming here today. I know some of you traveled from very far away, and we definitely have appreciated all of your thoughts and all of your comments.

I want to remind you all that the record will remain open for a week, and so if you have follow-up comments or thoughts or if you have partners that could not be here today but also had comments that they wanted to submit, please help us to make the record as complete as possible.

Thank you again.

[Whereupon, at 12:16 p.m., the Committee was adjourned.]