

TESTIMONY OF FCC COMMISSIONER MICHAEL J. COPPS
U.S. SENATE COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP
IMPROVING INTERNET ACCESS TO HELP SMALL
BUSINESS COMPETE IN A GLOBAL ECONOMY
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Chairman Kerry, Ranking Member Snowe, and Members of the Committee, thank you for inviting me here to talk about broadband and America's small businesses. I'll be brief and blunt. America's lack of a broadband strategy is imposing huge costs on small businesses all across the land.

As the front page of the *Washington Post* recently stated, "Americans invented the Internet, but the Japanese are running away with it.... Accelerating broadband speed in [Asia and much of Europe] ... is pushing open doors to Internet innovation that are likely to remain closed for years to come in much of the United States."¹ Indeed, the most recent broadband rankings by international organizations, think tanks, industry groups and business analysts have us at 11th, 12th, 15th, 20th, 24th, and 25th in the world.² Take your pick of studies, but this is not where the United States is supposed to be. And the trend lines of these studies are plunging downward.

This isn't just a matter of national pride. It's a business proposition, a competitiveness issue. Our lackluster broadband performance is a huge barrier to, and tax upon, innovation and entrepreneurship. Businesses everywhere are increasingly reliant on broadband Internet access; it has become as essential as electricity, running water or phone service. Yet many small businesses in rural America cannot get an Internet connection at all. Even where they can, they typically pay too much for service that is too slow. The story isn't all that much better in the nation's metropolitan areas. Prices are high for service that is, by international standards, uncompetitive.

The Internet *should* be the great equalizer—leveling the playing field between urban and rural; large and small; domestic and global businesses. The broadband system

¹ Blaine Harden, "Japan's Warp-Speed Ride to Internet Future," *Washington Post* at A1 (August 29, 2007); see also Jessica E. Vascellaro, "Is High-Speed Internet Growth Slowing," *Wall Street Journal* at B3 (August 9, 2007) ("Industry watchers predict broadband growth will continue but statistics indicate that the U.S. will remain well behind other countries that adopted broadband more quickly. The U.S. is ranked 25th in broadband penetration, behind countries including South Korea, where penetration is 89%, and Canada, where it is 63%.").

² FTTH Council, "Asia Lead the World in FTTH Penetration," (July 18, 2007) (ranked 11th); Robert Atkinson, "The Case for a National Broadband Policy," (June 2007) (ranked 12th); OECD, "Broadband Statistics to December 2006" & ITU, "Broadband Statistics for 1 January 2006" (ranked 15th); ITU United Nations Conf. on Trade and Develop., "Chapter 3, the Digital Opportunity Index," *World Information Society 2007 Report: Beyond WSIS*, p. 36. (ranked 20th); Website Optimization, LLC, "US Jumps to 24th in Worldwide Broadband Penetration" (August 21, 2007) (ranked 24th); *supra* n.1 (ranked 25th).

we have today makes a mockery of this great promise and instead creates competitive disparities.

Part of our problem is reliance upon duopoly and oligopoly where we should be enjoying vigorous carrier and network competition. As part of the recent 700 MHz auction, the FCC heard arresting testimony from a wireless entrepreneur who explained that the U.S. is way behind Europe when it comes to developing and marketing innovative wireless broadband devices.³ The big losers are small companies squeezed out by the behemoths that have come to dominate the industry.

Several months ago, I visited Portland, Maine, and heard about a local stay-at-home mom who had developed a small retail business over the Web. Her market is limited to Americans who have high-quality Web access. Greater broadband penetration would help her, as well as millions of other entrepreneurs who lack bricks and mortar stores. Broadband is this era's bricks and mortar. One recent study concludes that every percentage point increase in broadband penetration (currently around 50% in the U.S.) would mean 300,000 more jobs and increased national output.⁴

How do we turn things around? Let's start with a comprehensive national strategy. We need a strong statement, combined with serious commitment from the very top—not just a campaign promise—that broadband is a national priority. We need to make sure all the departments of government are cooperating to encourage broadband deployment, using financial tools such as matching grants and tax incentives.

There are also a series of specific steps the FCC can take. The Commission owes you more than you are getting. First is improved data-gathering. Our current efforts are woefully out-of-date and out-of-whack. The Commission is still calling 200 kilobits per second “broadband” and assuming that if one person in a ZIP code has broadband access, *ergo*, everyone else does as well. This is 2007, not 1997. We need a more credible definition of speed and more granular measures of deployment, as well as to start gathering data on price and the experience of other nations. There's a lot to learn there.

Second we need to start cataloging and benefiting from all the innovation and experimentation that's occurring outside of Washington D.C. Over the past year, I've attended broadband summits and met with local experts and small business owners in Cambridge, Massachusetts; Portland, Maine; rural Hawaii; Lawrence, Kansas; Little Rock; New Orleans; and Seattle. I've learned we live in a diverse and varied nation with immense reserves of local creativity. In some areas, experience indicates wireless broadband may be the answer; in others, it may be increasing competition among fiber

³ Testimony of Jason Devitt at Federal Communications Commission July 31, 2007 Open Meeting, available at <http://www.fcc.gov/realaudio/mt073107.ram> at 9 minutes 30 seconds.

⁴ Robert Crandall, William Lehr and Robert Litan, *The Effects of Broadband Deployment on Output and Employment: A Cross-sectional Analysis of U.S. Data* (Brookings Institution: July 2007), available at <http://www3.brookings.edu/views/papers/crandall/200706litan.pdf>.

providers. The FCC—with its 2,000 communications experts—ought to be playing a leading role as a clearinghouse for broadband ideas that have worked.

Third, there is enormous room to improve our competitive telecommunications policies. The GAO's examination of the special access market (for bulk telephone and broadband services) reveals that around 94% of commercial buildings are served exclusively by the incumbent telephone company.⁵ The same report also demonstrates that the FCC's deregulatory policies, and its approval of merger after merger, have saddled small and medium-sized businesses with increased special access prices. The FCC is currently considering action in this area and I hope that Commissioner Adelstein and I can find a majority willing to stand up for small and medium-sized businesses—and ultimately for American consumers—rather than for incumbent telephone companies.

Fourth, we need to commit to supporting broadband with the Universal Service Fund. It worked for plain old telephone service and it will work here. I am delighted that the Federal-State Joint Board recently agreed with me on a bipartisan basis that broadband must be the mission of the USF for the 21st Century. I look forward to working with all my colleagues at the Commission to make this a reality.

Throughout our history, we have always in this country found ways to build our physical infrastructures: roads, turnpikes, canals, harbors, railroads, highways. Why can't we tackle this one the same way, with business, government and communities pulling together to get the job done?

I want to mention one more issue that I talk about it wherever I go and that has real small business importance. It appears that the FCC may be asked to vote on media ownership issues soon, perhaps by the end of the year. Last time we did that, in 2003, it was a disaster from which we were rescued by the Senate and the courts.

Media is not just another industry—it is the most potent social, political and cultural influence in the country. We communicate, inform, debate and decide through media. The playwright Arthur Miller observed that “a good newspaper... is a nation talking to itself,” and today that idea applies to our entire media system. Increasingly, however, media has become the province of mighty conglomerates who have sacrificed much of the localism, diversity and competition that are supposed to be the bedrock of radio and TV. And the FCC has aided and abetted them almost every step of the way.

This has been nothing short of a disaster—not only for small businesses, but for our culture as a whole. The rise of Big Media has encouraged the homogenization of local journalism, arts and culture, and led to the degeneration of America's civic dialogue.

⁵ United States General Accountability Office, *FCC Needs to Improve Its Ability to Monitor and Determine the Extent of Competition in Dedicated Access Services* (GAO-07-80, November 2006), available at <http://www.gao.gov/new.items/d0780.pdf>.

It's been a special disaster for minority communities. People of color make up over 30% of our country's population, yet they own just 3.26% of all commercial broadcast television stations. Women, who make up 51% of us, own a whopping 4.97% of the stations. Is it any wonder that TV is so full of caricatures and distortions?

As you, Mr. Chairman, and Senator Obama, pointed out in a letter to us, the FCC has had an open proceeding for years on how to increase media ownership by small businesses, women and minorities. You called upon the FCC to complete this proceeding—and make headway on the appalling situation we face today—*before* we make further changes to our ownership rules. I support your call 100%. I know my colleague Jonathan Adelstein does as well. It's time to draw a line in the sand and to be honest about what's at stake. If the FCC acts on general ownership issues anytime soon, Big Media may be given even more license to expand. Why would we think about changing the rules of the game before we put a seat at the table for women, minorities and small businesses in this most important of American enterprises? I hope that my other colleagues at the FCC will stand up and be counted on this critical issue. No more relaxation of media ownership limits until we do something about women, minorities and small businesses!

My time is up, I know, but I do want to get on the record that whether it's broadband or broadcast, small businesses are up against challenges not of their own making and they are suffering—badly—as a result. We can, we must, do better.

Thank you very much.