

**Prepared Remarks of
Chairman Julius Genachowski
Federal Communications Commission**

***Small Businesses and Broadband:
Unlocking a Key Engine of Job Creation in the 21st Century***

**D.C. Department of Small and Local Business Development
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Thank you Lee Smith, Director of the D.C. Department of Small and Local Business Development for hosting us here this morning, and thank you for the work you and your team does on behalf of local small businesses.

It is a particular privilege to be here today with Karen Mills, Administrator of the Small Business Administration, who has been a strong national leader in promoting the interests of small business, such a vital engine for job creation and economic growth in the United States.

I also want to welcome Todd Sharp, President of Engage and Warren Brown, Founder and Owner of CakeLove -- two entrepreneurs with powerful stories about small businesses and unlimited opportunity. I also want to thank Elizabeth Oliver-Farrow, Former Chair of the U.S. Hispanic Chamber of Commerce, for being here today.

Today we're here to focus on the vital role that broadband -- high-speed Internet access -- can play in small business success. Let me set the stage.

Last year, Congress and the President tasked the Federal Communications Commission with developing a National Broadband Plan -- a strategic Plan to bring affordable, high speed broadband to all Americans. We will deliver the Plan to Congress in two weeks.

Broadband is our generation's major infrastructure challenge. It's like roads, canals, railroads and telephones for previous generations.

In terms of transformative power, I think broadband is most akin to the advent of electricity. Our electric grid was the platform for innovation that, as much as anything, helped propel the United States to global economic leadership in the 20th century.

Our broadband grid has the potential to play the same role for the 21st century.

Electricity brought the country an unending array of new appliances -- refrigerators, ovens, TVs, computers.

Broadband brings innovation-fueled applications -- on the Internet and on mobile phones, for commerce, education, health care and more. An "app for that" could have been the motto for America in the 20th century too, if Madison Avenue had predated electricity.

Broadband is critical infrastructure for innovation, for job creation, and for American competitiveness in this rapidly changing world.

That's why Sam Palmisano, CEO of IBM, recently penned an op-ed titled, "Fix the bridges, but don't forget broadband."

Studies from the Brookings Institute, MIT, the World Bank, point us in the same direction: even modest increases in broadband adoption can yield hundreds of thousands of new jobs.

As we work to rebuild our economy, we must do it in a way that gives us a strong, 21st century foundation for opportunity and prosperity.

We need to pursue a 2020 broadband vision -- one that unleashes new waves of investment and innovation, and provides an enduring engine for job creation in the years ahead.

And a central pillar in that Plan must be small businesses.

As a primary source of job creation in this country, small and medium businesses have created over 64 percent of all net new jobs -- more than 14 million -- over the past 15 years.

Home-based entrepreneurs employed more than 13 million people in 2008. Over the last several years, about 650,000 new small businesses have been created annually.

Small businesses are everywhere, in technology corridors and on Main Street.

A dreamer at a high tech start-up works at a small business. A family farmer works at a small business. An ophthalmologist, a plumber, a real estate agent, a restaurant manager -- they all work in small businesses in communities across the nation.

No one would argue that you can be a tech entrepreneur without broadband. In the 21st century, without broadband, you can't maximize those Main Street small business opportunities either.

During my first week as FCC Chairman, I met a farmer in Erie, Pennsylvania who grew up thinking computers and connectivity had no relevance to him. Here's what he said when I saw him: Today, farmers can't succeed without broadband -- without real-time online access to weather forecasts, commodity pricing, crop information, and marketing opportunities for their products.

One recent study put it this way: "The degree to which farmers take advantage of the New Economy will increasingly determine their competitive success."

When it is available and harnessed, broadband can have a dramatic effect on small businesses. Take a business called Blue Valley Meats in the small town of Diller, Nebraska. It saw 40 percent growth and doubled its workforce by setting up a web site and selling its beef online. But only once Diller got broadband.

We've seen small businesses seizing the same kinds of opportunities in urban areas.

And broadband enables entrepreneurs from diverse backgrounds and communities to start, build, and own businesses.

At our broadband hearings, for example, we heard from Ruth Livier, the founder of Ylse.com, which creates and distributes online video programming about a modern Latina making her way in contemporary America; and Jonathan Moore, founder of Rowdy Orbit, a growing online platform for professionally produced web content for minority audiences.

Today almost one million Americans earn part of their living by operating small businesses on platforms launched by eBay and Amazon. And websites like Etsy.com create specialized marketplaces for small businesses -- Etsy focuses on entrepreneurs who make handmade items; it boasts more than 200,000 sellers.

But here's the issue. While most small businesses have a broadband connection of some sort, access seriously lags in many areas, especially rural communities. One estimate indicates that 26 percent of rural business sites don't have access to a standard cable modem and 9 percent don't even have access to DSL.

Mobile broadband is vital to business operations as well, but too few small businesses use it today. About half of small businesses still don't take advantage of the opportunities and efficiencies of mobile broadband.

Many small businesses that do have broadband access have concerns about their broadband speeds, price and choice. Our broadband team also found that many small businesses don't have the information or skills they need to seize the broadband opportunity.

The result is that only about a quarter of small businesses that have websites are taking advantage of e-commerce, and even fewer use key online applications that can drive revenue and productivity, from marketing services to workflow automation to online video conferencing to telecommuting.

And this is a key point -- when small businesses use broadband it's a double win. Affordable, high-speed broadband enables small business to increase revenue by reaching a larger market and to reduce costs through cloud-based efficiency tools.

More profit, more jobs created.

An array of companies -- Internet service providers, and companies on the edge -- are investing in technologies and services to bring better broadband to small businesses. We want to see that investment maximized throughout the broadband ecosystem.

The Commission held a productive field hearing in December in Chicago specifically targeted at learning from small businesses about their experiences with technology and their aspirations for our National Broadband Plan.

And we certainly listen carefully to the advice of the SBA, which participated in our broadband proceeding -- including the Chicago field hearing -- and encouraged the Commission to work "with small and competitive broadband providers to develop new ideas that will shape our National Broadband Plan in a way that expands competition in the market for broadband service. Competitive providers can bridge the gap and increase overall availability of broadband services and applications in unserved and underserved areas, in rural and urban centers."

Thanks to the input we've received, the National Broadband Plan will include recommendations to encourage investment in our broadband infrastructure by fostering innovation and competition in networks, devices, and applications; ensuring that government policies and assets are deployed to cut through red tape, lower the cost of investment, and increase inclusion; and optimizing the use of broadband to achieve national priorities like job creation and small business development.

All of this will benefit small businesses, but the Plan won't stop there. The Plan will put forward strategies and initiatives to empower small businesses across American to connect and compete with their counterparts anywhere in the world.

The Plan will recognize the need for tools and training to enable small businesses to seize the opportunity of broadband. It will recognize that, in the 21st century, digital literacy is a business requirement.

Just a few brief examples.

As the SBA suggested, the Plan will recommend that the Commission review its competition rules to make sure that small businesses benefit from robust and healthy competition in the marketplace.

The Plan will recommend funding initiatives through the SBA to sponsor training in IT and broadband applications for small businesses. Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs) are key conduits for this training. The Plan will recommend increasing the capabilities of these Centers to reach more small businesses with technology training and expertise. By using virtual training mechanisms, we can reduce the in-office burden on SBDCs and WBCs to free up those local resources for companies that lack access to broadband.

The Plan will seek to augment entrepreneurial mentoring through organizations such as the SBA and the Economic Development Administration (EDA). The SBA and the EDA are working aggressively on developing new programs that foster entrepreneurial development across the country, particularly in those regions that are not currently innovation hotbeds. These efforts can be enhanced through proper broadband connectivity and tools.

The Plan recommends expanding this effort with funding for 10 new pilots while connecting these programs with broadband and online collaboration tools to ensure expertise and best practices are shared nationally.

Together with our national broadband effort, the FCC's Office of Communications Business Opportunities (OCBO), lead by Director Thomas Reed, is central to the Commission's mission to support and encourage the development of small and diverse businesses in the telecommunications industry. It coordinates, evaluates, and recommends to the Commission, policies and programs that promote participation by small entities, women, and minorities in the communications industry.

OCBO has been active in assisting the Commission's development of the National Broadband Plan -- gathering information, and developing solutions. OCBO hosted a workshop on "Broadband Opportunities for Small and Disadvantaged Businesses," and coordinated a "Capitalization Strategies Workshop" for small and diverse telecommunications businesses.

This workshop provided entrepreneurs with a nuts-and-bolts understanding of the steps necessary to obtain public or private sector financing. It was a success, and we will repeat it in the future.

OCBO also coordinated one-on-one sessions between finance and capital experts and a number of small business participants. This was a first for the Commission, was widely praised by participants, and will also be repeated.

Finally, a key element of the Broadband Plan's recommendations will be to foster the development of a public-private partnership for small businesses.

The goal of this partnership would be to create a comprehensive solution that includes digital literacy and computer training, assistance with business-relevant applications, and support to the smallest businesses in the country's neediest areas. The public-private partnership is being designed to provide easy access to these tools through a proven program that already reaches many small businesses.

It will also arm these businesses with the expertise and training necessary to maximize the utility of their broadband connection. To do this, private partners would contribute services, applications, training, educational content, counseling, and funding to small businesses that will be distributed by existing government small business programs.

This particular initiative would focus on small businesses in low-income areas that need to increase their skill set with basic digital literacy tools, web usage, e-commerce and online communications. The targeted partners would be the most important players in the technology industry that can help small businesses, from the hardware, software, professional services, and online services sectors.

In two weeks, we will deliver the National Broadband Plan. I'm proud of our broadband team, which has been working so hard to produce a bold, far-reaching Plan to ensure we have world-leading broadband infrastructure in the U.S., and to deliver the benefits of broadband to all Americans.

If we get it right, and with the help of national leaders like Karen Mills, broadband can be an enduring engine for creating jobs and growing our economy, for spreading knowledge and enhancing civic engagement, for advancing a healthier, sustainable way of life.