

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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