

**Low-Income Pilot Program Roundtable**  
**Remarks of Commissioner Meredith A. Baker**  
**June 23, 2010**

I am excited to be here this morning and I am very appreciative that all of you have joined us today to help address the critical broadband adoption challenges facing this nation. The National Broadband Plan underscored that the United States has done a remarkable job making sure broadband is available to consumers – over 95 percent have access to terrestrial broadband options of at least 4 Mbps. While there is certainly more to be done to push next-generation broadband networks to all Americans, we have a great foundation from which to build.

But the Plan revealed that our record on broadband adoption is more mixed – only two-thirds of households actually subscribe to broadband services today. For a service as new as broadband, over 60 percent penetration is impressive, but this clearly is an area meriting closer examination. Our analysis shows that income can play a significant role in adoption decisions. Only 40 percent of adults with income below \$20,000 subscribe to broadband, compared to 93 percent of those making over \$75,000.

An analogous penetration disconnect for traditional voice services led to the creation of our universal service low-income programs. Specifically, the FCC created its low-income support mechanisms to help defray the installation and monthly cost of traditional phone service in the mid-1980s. These programs helped increase the percentage of low-income Americans that subscribed to voice service from 80 percent to almost 90 percent today. Our Lifeline and Link-Up programs have made basic telephone service more affordable to millions of low-income consumers, improving lives by providing access to jobs, kids' schools, and 911 access for the first time.

The Broadband Plan included a series of recommendations about how to gear our low-income programs to address the broadband adoption challenge. Of particular relevance to this group, the Plan called for pilot programs to experiment with different potential designs for broadband support. In the mid-80s, setting up the parameters of Lifeline and Link-Up was relatively straightforward—there was a monopoly phone provider offering a basic stand-alone service with negligible equipment costs. Fast forward to today, 70 percent receive broadband as part of a bundle of services, and there are multiple competitive options from which consumers may choose. Broadband affordability is also not limited to a monthly DSL bill. We will have to take into account the substantial consumer electronic costs of broadband. I checked this morning—I can get a telephone from amazon.com for \$9.84. The cheapest netbook is \$259, a full function laptop is at least hundred dollars more. 10 percent of non-adopters cite computer costs such as these as their key affordability hurdle, while only 15 percent cite the monthly bill itself. With respect to broadband, we must also recognize that digital literacy and relevancy play equally important roles in the decision of whether or not to subscribe.

All of these complexities demonstrate that a pilot program approach – looking before we leap – is particularly appropriate here. There is no magic formula for the type or level of subsidy, and I look forward to learning from this workshop and future efforts how best to structure a low-income support mechanism for broadband.

One last note, our pilot programs must not only be highly effective, they must be highly efficient. We should acknowledge at the outset of this process that we do not have unlimited funding to support these noble goals. The voice-targeted low-income support programs today already represent \$1.4 billion in annual outlays. This is all part of a soon-to-be \$9 billion total universal

service program. As we focus our efforts on broadband affordability, we must remain aware that the universal service contribution obligation has affordability consequences as well. A 15 percent contribution factor is effectively an extra \$7 tax on a \$50 bill for consumers that may be struggling to pay these bills. Here the promise of public/private partnerships like the cable industry's A+ program targeted to low-income middle schoolers may well be a successful model for future efforts that shares the financial burden of these important efforts.

As we move forward with pilot programs, I urge you to be imaginative and bold, and help us chart a path towards universal broadband adoption. Thank you.