

**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**  
**SEPTEMBER 26, 2007**

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."<sup>1</sup> Indeed, the most recent broadband rankings by international organizations, think tanks, industry groups and business analysts have us at 11<sup>th</sup>, 12<sup>th</sup>, 15<sup>th</sup>, 20<sup>th</sup>, 24<sup>th</sup>, and 25<sup>th</sup> in the world.<sup>2</sup> 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

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<sup>1</sup> 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 25<sup>th</sup> in broadband penetration, behind countries including South Korea, where penetration is 89%, and Canada, where it is 63%.").

<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup>

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 branches 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

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<sup>3</sup> 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.

<sup>4</sup> 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.<sup>5</sup> 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 21<sup>st</sup> 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?

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<sup>5</sup> 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>.