



**United States Senate
Committee on Small Business and Entrepreneurship
Honorable John Kerry, Chairman
Honorable Olympia Snowe, Ranking Member**

**"Improving Internet Access to Help Small Businesses Compete in
a Global Economy."**

Wednesday, September 26, 2007, at 10:00 a.m.

**Testimony of:
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Chairman Kerry, Ranking Member Snowe, and Members of the Committee:

Thank you for the opportunity to speak with you today regarding the important relationship between broadband Internet and the ability of American entrepreneurs and small businesses to compete in the global economy.

Entrepreneurs and small businesses too often fail in America due to numerous reasons, many of which can be linked to their relative isolation. For those who are working in rural areas, the risks associated with isolation are a double threat:

- Capital is difficult to acquire because they are isolated from fund sources;
- Workers are difficult to find and hire because the demands of the business and the cost of overhead result in relative isolation;
- An entrepreneur's market position relative to established competitors creates something similar to product and service isolation – making it more costly to bring products to market and promote them once they are there;
- Entrepreneurs and small businesses can be isolated from market intelligence and research that otherwise provides a competitive advantage to larger more established companies who are better able to identify customers and target products, services and messages; and
- Finally, with relatively limited resources, American small businesses can be isolated from their own potential customers, unable to spend the dollars necessary to connect with and communicate to those around the world who would otherwise buy their products and services.

Of course, the Internet changes all of this. Broadband Internet practically eliminates the significance of distance, allowing small businesses to break the isolation barriers that have historically placed them at a competitive disadvantage from inception.

With a broadband connection, American business owners can connect literally to the world's resources regardless of physical location – as easily as their larger competitors.

- They can more easily connect with capital resources;
- They can connect to and employ workers regardless of how far apart those workers may be physically;
- Entrepreneurs can bring products and services to market through online resources that provide a global storefront;
- They have equal access to the same quantity and quality of market intelligence; and
- They can identify, connect with, and communicate to customers anywhere in the world.

Connected Nation is a national non-profit that is dedicated to increasing access to and use of broadband in America so that individuals and businesses are better equipped to compete in the global economy. At the state level, we create public-private partnerships that bring together the providers of telecom services and information technology companies with policy makers, local leaders and the

consumers of technology to identify the best path to accelerating the availability and use of technology in all local communities.

Connected Nation's proof of concept project, ConnectKentucky, has provided dramatic results that are now being emulated by Connected Nation in other states across the country, including most recently in Tennessee and West Virginia.

- When we began in Kentucky three years ago only 60% of homes could access broadband. Today, 95% have the ability to connect and Kentucky is on track to have 100% broadband availability by the end of this year;
- Home broadband use has grown dramatically by 82%, encouraging private providers to continue their investments in infrastructure statewide;
- Over the last three years, more than 18,400 total technology jobs have been created in Kentucky. In the IT sector alone, Kentucky jobs have grown at a rate four times the national growth rate, representing a reversal from years prior to the ConnectKentucky initiative, when jobs were bleeding out at a decline rate of 6.1%;
- Representing a reversal of the all-too-common rural "brain drain", 96% of Kentuckians who graduate from college remain in Kentucky to live, work and raise their families.
- Kentucky's broadband users estimate they save a total of \$1 billion per year; save 230 million hours per year; drive 1 billion fewer miles per year; and report being healthier and better educated as a result of having broadband access;
- Today in Kentucky entrepreneurs are thriving; small businesses are finding an environment ripe for growth; and rural communities are finding ways to diversify and provide attractive opportunities for their children.

These metrics represent a technology turn-around for the Commonwealth of Kentucky. Three short years ago, Kentucky could be found listed at the bottom of nearly every technology-based ranking or new economy index. However, in 2004, we began working aggressively through our public-private partnership to reverse these trends creating a friendly environment for families and businesses eager to excel in the global economy.

We identified that Kentucky's broadband challenge (consistent with the nation's challenge) is not simply an issue related to the **supply** of broadband but one also connected to the **demand** or the use of broadband and related technology. With that understanding, we outlined a course of action that would both enhance the availability of broadband while also dramatically increasing the number of homes and businesses using computers with broadband connections.

First, we established a map-based inventory of all the areas broadband did and did not exist. This inventory was completed through the cooperation of providers who submitted data pertaining to where exactly their broadband services were available. This physical service-level data resulted in an extremely accurate picture of the gaps that existed in broadband service availability.

Once the gaps were identified, we were able to drill down into those unserved areas by gathering additional market intelligence that would bolster the case for providers to extend their services: these data include household density, planned

development and other factors such as likelihood that a critical mass would subscribe to broadband service once available.

In conjunction with this “supply side” work, ConnectKentucky also began working locally in each of Kentucky’s 120 counties on the “demand side” to create “eCommunity Leadership teams” to identify and generate demand for technology across multiple sectors, including: local government, business, education, healthcare, agriculture, libraries, tourism and non-government organizations. By creating “locally-owned” technology strategic plans, ConnectKentucky was able to deliver additional market-based motivation to would-be providers potentially interested in deploying broadband service in the community.

This dual focus model has worked in rural Kentucky and we’re seeing early progress mirrored in other states where Connected Nation has launched similar programs. Today in Kentucky nearly 100% of households have the ability to access broadband which means that, regardless of their physical location, Kentucky entrepreneurs and small business owners are able to connect to the global economy using broadband.

The case is perhaps best illustrated through the story of a Kentucky small business owner named Kamren Colson. As a Kentucky expatriate operating a graphics design firm out of state, Kamren decided to push the envelope related to the promises of broadband technology. Historically, Kamren’s family had farmed in the “Burley Belt” of central Kentucky and still owned several acres of land formerly used to raise tobacco. Kamren looked at that piece of land, considered the broadband technology that was available, and decided to relocate his company’s headquarters to the serene and rolling Kentucky countryside. With his new business location and a broadband connection, Kamren’s business successfully pursued the contract to create and produce promotional pieces for the 2006 Academy Awards in California.

Executives from the Academy reported they never really considered the fact that Kamren and his staff weren’t actually “just down the hall” working with them collaboratively. The technology ensured seamless interaction as the two groups collaborated on promotional assets – trading files and ideas ahead of production. With the brain power of Kamren and his staff, combined with the power of broadband technology, the significance of location was eliminated – the small business was able to work with Academy officials from a former cow pasture in Kentucky just as effectively had it been located down the hall in their Los Angeles office.

For entrepreneurs and small business owners spread across rural America, the challenges are similar and so too are the opportunities. As broadband has become a critical element for success, our nation needs a comprehensive and common sense broadband plan that rewards the innovation of our private sector and creates an environment that is attractive for ongoing investment.

I appreciate the opportunity to speak with you today on behalf of Connected Nation and I look forward to responding to your questions.



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