



OFFICE OF ADVOCACY *FactSheet*

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Small Business and Broadband

Advocacy's Letter to Chairman Powell of the Federal Communications Commission

On August 27, 2002, the Office of Advocacy of the U.S. Small Business Administration (Advocacy) filed a letter commenting on the Federal Communications Commission's (FCC) proposed broadband rule. The FCC is proposing that broadband Internet access service over telephone wires be classified as an "information service." Advocacy is concerned that this classification will harm small business's valuable role in broadband deployment and urges the FCC not to forget small business in its broadband strategy. Advocacy's comments are summarized below.

The full letter may be accessed at <http://www.sba.gov/advo/laws/comments/>.

Small ISPs Provide a Substantial Number of Competitors

- There are approximately 7,000 small Internet Service Providers (ISPs). Small ISPs serve 77 million customers, who represent 55 percent of the market. In addition, small ISPs have been instrumental in bringing service to rural areas where costs are high and returns on investment low.

Small ISPs Are Disproportionately Burdened by the Proposed Rule

- An overwhelming number of ISPs have access arrangements with wireline carriers, and 93 percent of all digital subscriber lines are provided by incumbent local carriers. A small ISP's options other than carriage on a wireline carrier's lines are virtually non-existent.
- Refusal by incumbent wireline carriers to provide broadband access services to small ISPs could cost small ISPs an estimated \$8 billion in lost revenue.
- Advocacy recommends that the Commission revise its Initial Regulatory Flexibility Analysis to include an analysis of the impact that classifying wireline broadband Internet access service as an information service would have on small ISPs.

Broadband Internet Service Should Be Classified as Two Distinct Services

- Advocacy recommends that the Commission classify the transmission portion of broadband Internet service as a telecommunications service while the Internet service should be classified as an information service.
- By deciding that broadband Internet service consists of two distinct services, the Commission will minimize the disproportionate impact on small ISPs and will encourage competition in the broadband market, which will in turn encourage deployment of broadband.

For more Information on the Office of Advocacy

- Visit Advocacy's Web page at <http://www.sba.gov/advo>.