

This is a preliminary transcript of a Committee Hearing. It has not yet been subject to a review process to ensure that the statements within are appropriately attributed to the witness or member of Congress who made them, to determine whether there are any inconsistencies between the statements within and what was actually said at the proceeding, or to make any other corrections to ensure the accuracy of the record.

1 {York Stenographic Services, Inc.}

2 HIF111.160

3 HEARING ON THE NATIONAL BROADBAND PLAN: DEPLOYING QUALITY

4 BROADBAND SERVICES TO THE LAST MILE

5 WEDNESDAY, APRIL 21, 2010

6 House of Representatives,

7 Committee on Energy and Commerce

8 Subcommittee on Communications, Technology, and the Internet

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:05 a.m.,  
11 in Room 2322 of the Rayburn House Office Building, Hon. Rick  
12 Boucher [Chairman of the Subcommittee] presiding.

13 Present: Representatives Boucher, Markey, Rush, Eshoo,  
14 DeGette, Doyle, Inslee, Butterfield, Christensen, Castor,  
15 Space, Welch, Dingell, Waxman (ex officio), Stearns, Upton,  
16 Shimkus, Buyer, Terry, Blackburn, Griffith, and Latta.

17 Staff present: Roger Sherman, Chief Counsel; Tim  
18 Powderly, Counsel; Amy Levine, Counsel; Shawn Chang, Counsel;

19 Greg Guice, Counsel; Sarah Fisher, Special Assistant; Bruce  
20 Wolpe, Senior Advisor; Phil Barnett, Staff Director; Mitch  
21 Smiley, Special Assistant; Elizabeth Letter, Special  
22 Assistant; Neil Fried, Minority Counsel; Will Carty; Minority  
23 Professional Staff; Garrett Golding, Minority Legislative  
24 Analyst.

|

25           Mr. {Boucher.} Good morning to everyone. We are  
26 conducting this morning the second in a series of hearings  
27 focusing on the National Broadband Plan, and I want to  
28 commend the members of the Federal Communications Commission  
29 and their staffs for the truly outstanding job that they have  
30 done in compiling this plan sorting through thousands of  
31 comments that have been received from the public and  
32 providing very thoughtful work and good recommendations to  
33 the Congress. The United States stands 16th today among  
34 developed nations in broadband usage and for the benefit of  
35 our national economy and for our national quality of life, we  
36 need to do better.

37           In preparing the National Broadband Plan the Commission  
38 has made a major contribution to our effort to evaluate our  
39 national standing to a far higher number, and we are  
40 appreciate to the Commission for that work. Broadband in the  
41 21st Century is as important as telephone service or  
42 electricity service were when they were first introduced more  
43 than a century ago. Today's hearing focuses on how best to  
44 deploy broadband to areas that are unserved and underserved  
45 so that all Americans, including those in the rural regions  
46 of our nation, may benefit from this truly essential  
47 infrastructure. We want to ensure that everyone has access

48 to broadband and we also want to ensure that everyone has  
49 access at meaningful speeds and at truly affordable prices.

50         The National Broadband Plan reports that 95 percent of  
51 American homes have access to terrestrial fixed broadband  
52 infrastructure capable of supporting actual download speeds  
53 of at least 4 megabits per second, leaving approximately 7  
54 million homes unserved. I have serious concerns about the  
55 accuracy of that number and the methodology that was employed  
56 in order to derive it. It is my understanding that for cable  
57 modem service the broadband team looked at maps of where  
58 every cable operator is authorized to provide service. The  
59 broadband team assumed that a cable operator should have  
60 built out to its entire service territory. It also assumes  
61 that each provider was using at least DOCSIS 2.0 technology,  
62 which would mean that every home within the service area  
63 could get broadband speeds of at least 4 megabits per second  
64 downstream and 1 megabit per second upstream.

65         Unfortunately, not every cable operator has deployed  
66 service throughout its franchise area, and not every cable  
67 operator has upgraded to DOCSIS 2.0 technology. For DSL  
68 service offered by phone companies, the broadband team relied  
69 on broadband maps from states that have already completed  
70 those maps. The team calculated where homes should be able  
71 to receive DSL service of at least 4 megabits per second

72 downstream, 1 megabit upstream based on where those maps  
73 indicated there is a broadband infrastructure in place. The  
74 team also estimated that homes within a certain number of  
75 feet of central offices should be able to receive broadband.  
76 The team then extrapolated those figures to the entire  
77 nation.

78         Unfortunately, I think the experience is very different.  
79 In my own example with my constituency in Virginia the  
80 broadband map that was provided in my home state of Virginia  
81 has proven to be less than satisfactory as a genuine  
82 predictor of where broadband can be found. The map is based  
83 on data provided by the telephone companies and it over  
84 reports the availability of broadband in my district, and I  
85 am sure elsewhere. I frequently hear complaints from  
86 constituents who live in communities that the Virginia  
87 broadband map indicates are served, yet these constituents  
88 are persistently asking for broadband service because today  
89 they have none.

90         To the extent that the team extrapolated data from the  
91 Virginia broadband map and others like it, I can't, based on  
92 my experience, consider those projections to be reliable. I  
93 appreciate that Ms. Gillett will testify in her testimony  
94 today that the 95 percent figure is intended to be an  
95 estimate of homes that should have access to broadband based

96 on what is estimated about where incumbent providers have  
97 deployed the infrastructure. It does not mean that someone  
98 in an area the broadband plan predicts would have broadband  
99 service could actually pick up a phone and call their service  
100 provider and receive broadband service. That is an important  
101 clarification and one that I hope all members will keep in  
102 mind as we develop policies that are based on the assumptions  
103 of broadband availability.

104 As we will hear from other witnesses on today's panel,  
105 there remain many areas of our nation without access to  
106 broadband or with access to broadband only at slow speeds and  
107 at high prices. It is far too soon to declare mission  
108 accomplished with respect to the goal of making broadband  
109 available to all Americans. I want to thank our witnesses  
110 for joining us this morning. We look forward to your  
111 testimony. And at this time, I am pleased to recognize the  
112 gentleman from Florida, Mr. Stearns.

113 [The prepared statement of Mr. Boucher follows:]

114 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|

115           Mr. {Stearns.} Good morning, and thank you, Mr.  
116 Chairman. First of all, Mr. Chairman, I would like to  
117 welcome Bob Latta from Ohio. He is on our committee and will  
118 recognize him and welcome him to this great subcommittee.  
119 His predecessor Bill Gilmore and I came in together, and he  
120 served on this committee too, so we are delighted to have  
121 you. I think all of us in this room and all of the folks on  
122 the committee would agree that there is tremendous benefits  
123 from broadband. Reaching 100 percent on the present  
124 broadband is a laudable goal. Most of us wonder what is the  
125 best way to do it, and I think a lot of us think that it can  
126 be done through private investment, much like we see either  
127 the iPhone or the iPad or the iTunes or the multiple of  
128 devices just pick up and everybody has them whether you are  
129 in rural or urban areas because the incentives are there.

130           For the United States to achieve this ubiquitous  
131 broadband deployment, I believe the private sector will have  
132 to show the bulk of the financial burden, and our policies on  
133 this committee should reflect that. As you mentioned,  
134 according to the broadband plan, approximately 290 million  
135 Americans or 95 percent, as you mentioned, Mr. Chairman, the  
136 population have access to at least 4 megabits per second  
137 broadband service while approximately 2/3 of all Americans,

138 about 200 million people, subscribe to broadband.

139           This is up from 8 million 10 years ago, so you can see  
140 that it is moving forward. All these numbers demonstrate our  
141 free market pro-investment approach to broadband that it is  
142 working. Even if the government took no action the broadband  
143 plan concludes that private sector investment will provide 90  
144 percent of the country with access to peak download speeds of  
145 more than 50 megabits per second by the year 2013. Now if  
146 the past decade of broadband investment is any guide, the  
147 private sector will likely take us the rest of the way to the  
148 broadband plan goal of reaching 100 million households with  
149 100 megabytes per second service by 2020 simply letting the  
150 private investment pursue its way.

151           Although reaching that goal will cost approximately \$359  
152 million, the cable, telephone, and wireless industries have  
153 been investing \$60 billion a year in broadband, suggesting we  
154 could hit the investment target within 6 years. That is \$350  
155 billion. The recent D.C. Circuit ruling that struck down the  
156 FCC attempt to regulate Comcast network management of  
157 internet congestion should further caution straying from our  
158 deregulatory approach. Even after the decision, the FCC  
159 still has plenty of explicit authority to implement the  
160 broadband plan that they put out. In rejecting the FCC's  
161 argument, the D.C. Circuit explained ``statements of

162 congressional policy can help delineate the contours of  
163 statutory authority.'' Congress issued such a policy  
164 statement in 1996 when it added Section 230 to the  
165 Communications Act.

166 My colleagues, that section makes it the policy of the  
167 United States to ``preserve the vibrant and competitive free  
168 market that presently exists for the internet and other  
169 interactive computer services unfettered by federal or state  
170 regulations.'' So whether to revisit that legislative policy  
171 which the broadband plan data confirms has worked so well is  
172 a matter for Congress and not the FCC's position. This does  
173 not mean, of course, that the government has no role. If we  
174 are going to subsidize broadband deployment it makes sense to  
175 concentrate on the 5 percent of the population, about 7  
176 million homes, that do not have access to broadband, not the  
177 95 percent that already do. We can target the unserved homes  
178 with an FCC universal service program that has been  
179 significantly reformed perhaps along the lines outlined in  
180 the broadband plan.

181 We can also use wireless and satellite services that  
182 might better reach those hard to serve places, including  
183 tribal lands. Government intervention is only appropriate,  
184 however, to target those homes that are otherwise uneconomic  
185 for the private sector to reach out and serve. To do

186 otherwise would force the private sector to compete against  
187 the government or government-funded entities. Such skewing  
188 of market forces will only harm investment and innovation in  
189 the long run. What Congress and the FCC must do is not  
190 revert to failed regulatory ideas that were designed for old  
191 technologies in a monopoly ear marketplace.

192         Imposing network neutrality, for example, forcing access  
193 to facilities and regulating rates are the surest way to  
194 deter the investment we need to reach the broadband plan's  
195 goal. The benefit of quality of broadband, I think is  
196 obvious to all of us. It is important that all Americans,  
197 whether in a big city, a rural community or tribal land have  
198 access to this technology. That I agree. The question  
199 remains how do we get there? I don't think we should let  
200 this opportunity pass us by. Mr. Chairman, I think there is  
201 a great opportunity with these witnesses, and I look forward  
202 to hearing their opening statements. Thank you.

203         [The prepared statement of Mr. Stearns follows:]

204 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
205           Mr. {Boucher.} Thank you very much, Mr. Stearns. The  
206 chairman of the Energy and Commerce Committee, the gentleman  
207 from California, Mr. Waxman, is recognized for 5 minutes.

208           The {Chairman.} Thank you very much, Mr. Chairman.  
209 Thank you for holding this hearing on deploying broadband  
210 service to unserved and underserved communities across the  
211 nation. Because broadband is critical to future economic  
212 growth and job creation every American must have the  
213 opportunity to access high quality, high speed broadband from  
214 a variety of providers. The plan provides a blueprint on how  
215 the public sector policies can promote deployment to both  
216 unserved and underserved communities. It also speaks to ways  
217 in which the private sector can act. By utilizing all the  
218 tools the public and private sectors have at their collective  
219 disposal, we could achieve a primary goal of the National  
220 Broadband Plan, 99 percent access to high speed broadband  
221 within 10 years.

222           While there are a number of proposals in the plan, I  
223 would commend the FCC staff for their thoroughness, and I  
224 would like to take a moment to highlight a couple that I find  
225 to be promising. For example, the plan recognizes that  
226 substantial cost savings can occur from better planning and  
227 coordination among government resources and recommends that

228 all federally-funded rights-of-way projects include a  
229 broadband conduit at the time of construction. This proposal  
230 is similar to legislation introduced by Congresswoman Eshoo,  
231 of which I am a co-sponsor.

232 Greater access to rights-of-way at reduced cost can help  
233 spur the deployment of advanced facilities, not only in urban  
234 areas but also deeper into rural areas. The plan also  
235 highlights specific ways in which the federal universal  
236 service system can be reformed, and I am very encouraged by  
237 these proposals. The obvious goal is to transform the fund  
238 to support broadband networks so that all Americans have  
239 access, and I am encouraged that the FCC is initiating the  
240 first of these proceedings in its open meeting that is  
241 occurring this morning. I am also encouraged that Chairman  
242 Boucher is working on draft legislation to help achieve this  
243 goal, and I am supportive of his efforts.

244 The plan also recommends addressing the data roaming  
245 issue. Consumers will be well served by common sense reform  
246 in this area. And, finally, I would like to commend the FCC  
247 for putting forward a proposed time line of its  
248 implementation schedule for the many proposals in the plan.  
249 This is the first time the FCC has so clearly outlined its  
250 work schedule, and I think that this approach is consistent  
251 with the chairman's view that the FCC should be as open and

252 transparent as possible. Thank you again, Mr. Chairman, for  
253 holding this hearing, and I look forward to the testimony of  
254 our witnesses.

255 [The prepared statement of Mr. Waxman follows:]

256 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
257           Mr. {Boucher.} Thank you very much, Chairman Waxman.  
258 The gentleman from Illinois, Mr. Shimkus, is recognized for 2  
259 minutes.

260           Mr. {Shimkus.} Thank you, Mr. Chairman. I appreciate  
261 this hearing. I appreciate the panel, and hopefully I will  
262 get a chance to sit in to a lot of the discussion. I am  
263 personally conflicted about the broadband plan. I will try  
264 to be a little more calm than I was when the FCC was sitting  
265 before us. And there are a couple of issues. Whether the  
266 number is 7 million or whether it is larger, the real issue  
267 is before we deploy we ought to map, and we didn't do that,  
268 so we have the cart before the horse, so that is issue one.  
269 I have been talking numerous times about let us define what  
270 the goal is that we are trying to achieve and what speed is  
271 going to be the standard, whether it is 4, 100, whatever, let  
272 us get a definition so that we know what we are trying to  
273 achieve.

274           We ought to roll out--government intervention is only  
275 appropriate when we want to target those homes that are  
276 otherwise uneconomic for the private sector to serve. I  
277 reject this argument that it is government's role to provide  
278 a variety of providers, and what we see going on is with  
279 government taxpayer dollars, we are overbuilding in areas

280 creating a competitive market against incumbent providers  
281 already when we have at a minimum 7 million people who don't  
282 have access. So those of us who represent rural areas who  
283 may be on dial-up, the appropriate place for government money  
284 is like we do in the Universal Service Fund to use government  
285 help to roll out to areas that are not economic for an  
286 individual entity to do, not to overbuild and compete with  
287 other traditional providers right now.

288         So we have a long way to go. We are wasting time and we  
289 are wasting money to get deployment out to rural America.

290 So, Mr. Chairman, it is timely, and we will be watching this  
291 process as it moves forward. Thank you.

292         [The prepared statement of Mr. Shimkus follows:]

293 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
294           Mr. {Boucher.} Thank you very much, Mr. Shimkus. The  
295 gentleman from Michigan, Mr. Dingell, Chairman Emeritus of  
296 the Energy and Commerce Committee, is recognized for 5  
297 minutes.

298           Mr. {Dingell.} Mr. Chairman, I thank you for convening  
299 today's hearing on the last mile broadband development. It  
300 is very important. I fully support the important cause of  
301 providing all Americans with access to broadband  
302 communications. All the same, we must ensure that such  
303 federal program implemented to do so is based on accurate  
304 data and grounded in appropriate statutes. There seems to be  
305 some confusion concerning the actual level of last mile  
306 broadband infrastructure deployment and adoption across the  
307 United States. I would remind my colleagues that deployment  
308 and adoption are not synonymous with one another, and welcome  
309 any clarification on this matter our witnesses can provide.  
310 As many of them have rightly noted, accurate data is  
311 invaluable to the proper design and functioning of any future  
312 broadband support mechanism. It is also dispensable to  
313 proper administration by the agencies concerned.

314           We must also ascertain whether existing statutes are  
315 adequate to the task of establishing new and functioning  
316 support mechanisms to ensure that all Americans have access

317 to broadband communications. I note that the National  
318 Broadband Plan recommends broadening of the Universal Service  
319 Fund contribution base. I hope our witnesses, especially Ms.  
320 Gillett of the Federal Communications Commission, will  
321 provide the members of this subcommittee with their candid  
322 opinions concerning the extent to which the commission's  
323 statutory authority currently permits this. Should it not, I  
324 again remind our witnesses that the Congress is the sole  
325 progenitor of the commission's authorities and should be  
326 consulted if new powers are to be conferred or exercised.

327 In closing, I would like to thank the witnesses for  
328 appearing before us this morning to allow the members of the  
329 subcommittee to avail themselves of the expertise of our  
330 witnesses. To our witnesses' dismay, I am sure, I will  
331 submit my questions, many of them yes or no, for the record,  
332 and ask unanimous consent at this time, Mr. Chairman, that I  
333 be permitted so to do. I also look forward to continued  
334 debate on this matter and other matters related to the  
335 implementation of the National Broadband Plan. I thank you  
336 for the courtesy that you extended me this morning, Mr.  
337 Chairman. I commend you for the hearing, and I yield back  
338 the balance of my time.

339 [The prepared statement of Mr. Dingell follows:]

340 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
341           Mr. {Boucher.} Thank you very much, Chairman Dingell.  
342 The gentleman from Alabama, Mr. Griffith, is recognized for 2  
343 minutes.

344           Mr. {Griffith.} I would like to thank the chairman and  
345 ranking member for calling this hearing today and also thank  
346 all of the witnesses for your willingness to testify before  
347 this committee. Currently 95 percent of Americans have  
348 broadband access and only 5 percent do not. We on this  
349 committee realize that this is an issue of unserved versus  
350 underserved. I am here today to advocate for deployment of  
351 broadband to he unserved areas of our country and assure that  
352 we properly qualify unserved and underserved. It is  
353 imperative that any policies we discuss foster competition.

354           In today's business market, access to broadband is vital  
355 from the boardroom to the farm, and everywhere in between. I  
356 believe that we have been moving in the right direction with  
357 the deployment of broadband. Free market principles and pro-  
358 investment policies have yielded 200 million subscribers, up  
359 from 8 million over just the last decade. Over the last 10  
360 years private industry has invested over \$500 billion in  
361 broadband deployment. That is a staggering number and one  
362 that confirms that those investments were vital to reaching  
363 the current 200 million subscribers. If we stay on this path

364 and work together, I believe we can meet the goal of  
365 providing the remaining 100 million homes with access to  
366 broadband service by 2020. Again, I thank you for your time  
367 today, and I look forward to hearing your testimony.

368 [The prepared statement of Mr. Griffith follows:]

369 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
370 Mr. {Boucher.} Thank you, Mr. Griffith. The gentleman  
371 from Massachusetts, Mr. Markey, is recognized for 2 minutes.

372 Mr. {Markey.} Thank you, Mr. Chairman. Thank you for  
373 having this very important hearing. Welcome, Bureau Chief  
374 Gillett. I have admired your work in Massachusetts over the  
375 years, and I am very proud to have you now take on this great  
376 national responsibility. As the lead House sponsor in 1996  
377 of the E-Rate provision, I call it the E-Rate, I was going to  
378 call it the E-Rate but I didn't think I could get away with  
379 it, so I just call it the E-Rate, it is important for us to  
380 recognize that the children, that adults without broadband  
381 should have access in schools and in libraries, but  
382 increasingly because according to the FCC 14 to 24 million  
383 Americans do not have broadband accessible to them at all and  
384 another 93 million Americans have chosen not to purchase  
385 broadband even if it is available to them, we need strategies  
386 that can ensure that broadband does reach them.

387 And so this is a huge issue for us. The OECD has said  
388 that we have dropped to 15th in world rankings in broadband  
389 deployment, so what I think we have to do is relying upon  
390 this National Broadband Plan to have this discussion. We  
391 have to devise ways that we harness new advances in  
392 technologies, insist on administrative efficiencies inside of

393 the programs in order to drive down costs and to create  
394 savings wherever possible, and we need to shift over time to  
395 a more rational, stable source of funding while embracing  
396 broadband as a service that all Americans should be entitled  
397 to. It will become the indispensable infrastructure for the  
398 21st Century in our country and around the world. It will be  
399 a proxy for economic growth in all sectors, energy, health  
400 care, education, all parts of the American economy.

401       If we want to be number 1 for the 4 percent of our  
402 population as opposed to the other 96 percent of the world,  
403 we just have to decide if broadband is going to be at the  
404 center of that national strategy. This hearing will go a  
405 long way towards helping us to establish a long-term plan.  
406 Thank you, Mr. Chairman.

407       [The prepared statement of Mr. Markey follows:]

408 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
409           Mr. {Boucher.} Thank you very much, Mr. Markey. The  
410 chair would like to add its welcome also to the gentleman  
411 from Ohio, Mr. Latta, as a new member of our subcommittee.  
412 We look forward to working with you, and you are recognized  
413 for 2 minutes.

414           Mr. {Latta.} Thank you very much, Mr. Chairman. It is  
415 an honor for me to be on this subcommittee. I look forward  
416 to working with you and the other members on the  
417 subcommittee. I represent one of the most rural areas in the  
418 State of Ohio, and I am keenly aware of the importance  
419 broadband deployment plays in the economic development and in  
420 the nexus that this axis has the job creation. I feel very  
421 strongly that the country's free market private investment  
422 approach to broadband expansion has been very successful. It  
423 is also my understanding that according to the National  
424 Broadband Plan 95 percent of the population has at least 4  
425 megabyte per second broadband service. I believe that the  
426 remaining 5 percent for service should be spent on the  
427 unserved areas where areas do not have access to broadband.

428           We need to carefully look at how to expand service to  
429 ensure that there is not an unfair advantage to one entity,  
430 especially in light of the fact that private industry has  
431 invested billions of their own capital to expand services.

432 Additionally, I am concerned how the FCC will define  
433 competition with the structure of the plan. Furthermore, the  
434 plan has called for greater collection analysis of the  
435 competition data. This is a bit worrisome as companies are  
436 essentially being asked to hand over their proprietary data  
437 and potentially fuel competition to their services by the  
438 government or their private sector counterparts.

439       There must be safeguards put in place and an assurance  
440 that the government does not get in the business of competing  
441 with this already hyper competitive industry. It is  
442 important that while serving to reach this remaining 5  
443 percent of the unserved household, that jobs are indeed  
444 created. I am critical of increasing bureaucratic red tape  
445 through any government initiative when the free market can do  
446 better. We need to assure that any of the requirements are  
447 not detrimental to job creation in Ohio or across the  
448 country. Broadband expansion can help the economy by  
449 creating new jobs related to the deployment of necessary  
450 infrastructure, as well as by giving unemployed workers  
451 access to tools that will help them find and prepare for new  
452 jobs.

453       It is my hope that the FCC does indeed focus on  
454 broadband deployment which will bring jobs and economic  
455 development to rural areas and not focus on policy or if the

456 FCC has questionable authority. I want to thank the chairman  
457 again for this opportunity. I look forward to hearing the  
458 testimony from the witnesses. I yield back.

459 [The prepared statement of Mr. Latta follows:]

460 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
461           Mr. {Boucher.} Thank you very much, Mr. Latta. The  
462 gentle lady from California, Ms. Eshoo, is recognized for 2  
463 minutes.

464           Ms. {Eshoo.} Thank you, Mr. Chairman, for scheduling  
465 this hearing to continue to explore options for deploying  
466 broadband in ways that all Americans, not just some, but all  
467 Americans will have access to it. The National Broadband  
468 Plan makes inclusion an essential priority with a goal of  
469 reaching, as we know, 100 million households with 100  
470 megabits per second service by 2020. I think that this is an  
471 ambitious plan, and I think it is just what we need to do.  
472 We need to be ambitious given, as you stated earlier, our  
473 16th position in the world. We can't afford to leave some  
474 Americans in the dust while others move ahead with broadband  
475 access in a way that turns the underserved and the unserved  
476 regions of our nation into virtual reality ghost towns.

477           I am pleased that the National Broadband Plan contains  
478 ideas already offered by members. I introduced one that  
479 would require broadband conduit to be installed for federal  
480 highway projects. It is the dig once concept, which is what  
481 I call it anyway, and I think it makes sense from the  
482 financial and administrative sense. We can guarantee the  
483 infrastructure that goes where our highway system goes and

484 reap the cost savings of doing a 2 for 1 dig. And so I hope  
485 to see this move. I think it is smart. I think it makes  
486 sense. It is pragmatic, and I look forward to seeing in  
487 happen.

488 Inclusion and access can't be achieved without funding,  
489 and I think that we need to update the Universal Service Fund  
490 to recognize broadband as a primary communications tool.  
491 Certainly, Representative Matsui's bill moves in that  
492 direction. I support it. Mr. Markey's bill, which takes the  
493 E-Rate program to the next level, I am proud to support. So  
494 I think that we need to build in these pieces of legislation  
495 in order to keep moving ahead. We are only going to reach  
496 the last mile, in my view, with a unified sense of purpose.  
497 As I look out at the witnesses here today there is a diverse  
498 range of interest, and I am looking forward to hearing how  
499 you see us reaching and serving the last mile in a way that  
500 is inclusive and affordable. So thank you, Mr. Chairman, for  
501 continuing this series of hearings. They are most valuable,  
502 obviously, on the broadband plan, and I can't wait for the  
503 implementation phase. I yield back.

504 [The prepared statement of Ms. Eshoo follows:]

505 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
506           Mr. {Boucher.} Thank you very much, Ms. Eshoo. The  
507 gentle lady from the State of Tennessee, Ms. Blackburn, is  
508 recognized for 2 minutes.

509           Ms. {Blackburn.} Thank you, Mr. Chairman, and I thank  
510 you for the hearing and for the focus that we have on this  
511 issue. And I want to say welcome to all of you who are  
512 before us today. We are glad you are here. I will tell you  
513 if we had been doing our work in the manner in which we  
514 should have been, you would not have to be here today. We do  
515 need to put our attention on the 7 million people that do not  
516 have access to broadband, and that should be the focus of our  
517 attention. But we should have gone about our mapping  
518 processes first and then we should have issued the  
519 definitions of what unserved and underserved were going to  
520 be. Instead, this committee after much discussion, decided  
521 that that would be booted to the FCC who then decided they  
522 would boot it on to others.

523           So we need to look at where we are placing the ability  
524 to determine what this is. Now do local governments have a  
525 role to play in this? They do, but they don't need to be  
526 competing with private companies. That is why we need to be  
527 looking at these definitions, and then making a determination  
528 how we go about with completing the rest of this broadband

529 access but not driving up costs for the consumer. I am  
530 looking forward to hearing what you all have to say, and  
531 welcome to the committee. Mr. Chairman, I yield back.

532 [The prepared statement of Ms. Blackburn follows:]

533 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
534           Mr. {Boucher.} Thank you very much, Ms. Blackburn. The  
535 gentle lady from the Virgin Islands, Ms. Christensen, is  
536 recognized for 2 minutes.

537           Ms. {Christensen.} Thank you, Chairman Boucher, and  
538 Ranking Member Stearns for this second hearing on the  
539 National Broadband Plan. As a representative of a district  
540 that is second to last in broadband penetration the  
541 implementation of the last mile is very important to my  
542 constituents as it is to tribal areas and many communities of  
543 color who I am sure make up much of the 14 to 24 million  
544 Americans to whom broadband is unavailable or the 93 million  
545 or more who are not using it. These communities are at a  
546 health, educational, and economic disadvantage, and so the  
547 optimal deployment of the last mile as well as the middle  
548 mile and efforts to increase adoption are critical if our  
549 communities are to thrive and our nation is to remain  
550 competitive.

551           I think that the National Broadband Plan's  
552 recommendation to expand universal service program to cover  
553 broadband and the expansion of the Community Connect program  
554 are a great start. I look forward to the discussions on  
555 these and other recommendations during this hearing, and  
556 while I recognize that this hearing is not specifically on

557 BTOP or BIP they represent an immediate investment  
558 opportunity to the territories, many of which are long  
559 distances from the mainland and depend greatly on broadband  
560 deployment. To date only 2 grants were awarded to the  
561 territories in round one. It is my hope they will do better  
562 in round two because it is important that we get the funding  
563 to these areas. I would also like to welcome our witnesses  
564 and look forward to their testimony and the discussion on  
565 broadband funding and deployment today. Thank you.

566 [The prepared statement of Ms. Christensen follows:]

567 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
568           Mr. {Boucher.} Thank you, Ms. Christensen. The  
569 gentleman from Nebraska, Mr. Terry, is recognized for 2  
570 minutes.

571           Mr. {Terry.} Thank you, Mr. Chairman, for holding this  
572 hearing, and I look forward to the series of hearings that we  
573 will have on the National Broadband Plan. That said, I do  
574 hope that the actual last mile wired line and wireless  
575 providers will be able to testify in future hearings. They  
576 are doing an excellent job according to the plan, which  
577 states that approximately 290 million Americans, 95 percent  
578 of the population, have access to at least 4 megabits per  
579 second broadband service. If we are going to meet the goals  
580 set out in the plan then it makes sense to have federal  
581 programs like the Universal Service Fund concentrate on the  
582 small 5 percent of the unserved population that do not have  
583 access to broadband.

584           These homes are primarily in very rural areas in which  
585 it is otherwise uneconomic for the private sector to serve.  
586 As we have seen by the massive investments made over the last  
587 decade, the private sector is more than willing to provide  
588 service to the rest of the country. It should come as no  
589 surprise to anyone in this room when I say I truly hope this  
590 committee will have the opportunity to advance a much-needed

591 USF reform bill, and which the chairman and I have worked so  
592 hard on over the years. Again, I think you, Chairman  
593 Boucher, for holding this hearing and look forward to future  
594 hearings. I yield back the rest of my time.

595 [The prepared statement of Mr. Terry follows:]

596 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
597           Mr. {Boucher.} Thank you very much, Mr. Terry. The  
598 gentleman from Pennsylvania, Mr. Doyle, is recognized for 2  
599 minutes.

600           Mr. {Doyle.} Thank you, Mr. Chairman. I waive.

601           Mr. {Boucher.} Thank you. The 2 minutes will be added  
602 to your time for questioning our witnesses. The gentleman  
603 from North Carolina, Mr. Butterfield, is recognized for 2  
604 minutes.

605           Mr. {Butterfield.} Thank you, Mr. Chairman, for holding  
606 this hearing today on deploying broadband to the last mile.  
607 While the majority of Americans enjoy access to a fast  
608 broadband connection there is a significant segment that does  
609 not, and so my comments today will be for those who do not  
610 have access to broadband. Those who fall into that category  
611 either use dial up or simply go without the technology that  
612 connects us to the internet. These unserved and underserved  
613 regions should be of the highest concern to those who are  
614 charged with fulfilling Congress' intent of nationwide and  
615 universal broadband deployment and accessibility. I am  
616 concerned of the amount of BTOP and BIP funds that have been  
617 awarded to date. Out of the \$7.2 billion appropriated to  
618 NTIA and RUS, only a little more than \$2 billion has been  
619 awarded.

620           With a tremendous need, particularly in rural areas like  
621 mine, more must be done to expeditiously award qualified  
622 applicants. More than a dozen applications came from my  
623 district, yet only 1 statewide middle mile infrastructure  
624 project has been funded. That award will benefit my state by  
625 connecting anchor institutions, hospitals, and libraries, but  
626 will not benefit my constituents that still lack a home  
627 connection. The National Broadband Plan also recommends that  
628 municipalities lacking access to affordable broadband fill  
629 the void through a municipally-owned operator. This is  
630 already happening in a municipally-owned city in my district,  
631 Wilson, North Carolina, where Green Light, the city's  
632 municipally-owned broadband, is providing fiber to home for  
633 every customer at an affordable cost.

634           The city applied for round 1 of BTOP funds and was not  
635 funded and it does not qualify for BIP second round funding.  
636 Having invested \$30 million of their own money, the city has  
637 built a successful world class system only to be denied  
638 federal assistance for its continued operation. Wilson is  
639 lucky to have been able to sustain themselves for so long,  
640 but other regions of the district simply go without access to  
641 the tools that we all take for granted. Mr. Chairman, my  
642 time has expired. I want to thank you for your leadership on  
643 this issue. I look forward to hearing from the witnesses. I

644 yield back the balance of my time.

645 [The prepared statement of Mr. Butterfield follows:]

646 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
647           Mr. {Boucher.} Thank you, Mr. Butterfield. The  
648 gentleman from Vermont, Mr. Welch, is recognized for 2  
649 minutes.

650           Mr. {Welch.} Thank you very much, Mr. Chairman, and  
651 Ranking Member Stearns. Vermont is intimately familiar with  
652 the challenges of last mile broadband deployment. We have  
653 got close to 20 percent of Vermonters currently lacking  
654 access to high speed broadband, and the majority of Vermont  
655 lacks access to state of the art communication tools like Wi-  
656 Fi and town centers and mobile television services, so we  
657 have got a long way to go. And, of course, in this day and  
658 age access to broadband is no longer a luxury, it is a  
659 necessity, and for Vermont and other states like Vermont to  
660 compete in the 21st Century, we have got to take greater  
661 strides towards achieving universal access, and to fail in  
662 this effort would be to fail large slots of rural America,  
663 including Vermont.

664           So that is why I support the National Broadband Plan  
665 proposed reform of the Universal Service Fund and expansion  
666 of the Community Connect program. We have got to reach that  
667 goal of deploying broadband facilities capable of actual  
668 download speeds of 4 megabits upload speeds of 1 megabits to  
669 99 percent of the unserved population by 2020. I am hoping

670 to learn more today. I appreciate you being here and all of  
671 the work that you are doing and look forward to getting from  
672 where we are to where we need to be as quickly as possible.  
673 And I yield back.

674 [The prepared statement of Mr. Welch follows:]

675 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
676           Mr. {Boucher.} Thank you, Mr. Welch. The gentle lady  
677 from Florida, Ms. Castor, is recognized for 2 minutes.

678           Ms. {Castor.} Thank you, Chairman Boucher, for calling  
679 this hearing, and welcome to our witnesses. Since the  
680 Comcast BitTorrent case, many people have been wondering what  
681 is in store for the National Broadband Plan. The plan's  
682 overarching mission is very important, and that is to bring  
683 the tremendous power of the internet to all Americans, rural  
684 or urban, rich or poor, young or old. So in my view the last  
685 mile is not just about geography. There are millions of  
686 Americans, many of them in well-served communities like mine,  
687 who simply do not have the resources to take advantage of the  
688 world at their fingertips. In addition, the Universal  
689 Service Fund has served many telephone users well over the  
690 years but it is time for an update, and the plan aims to  
691 reform the USF and bring it into the broadband age, and I am  
692 supportive of these efforts.

693           Many of you have heard me mention before that Floridians  
694 over time have paid into the USF much more than we have  
695 received back and we need reform. I want to make sure that  
696 the funds are intended for broadband and adoption in the new  
697 versions of the USF are distributed more evenly across  
698 communities in the last mile in the truest sense of that

699 phrase. I would also like to hear what the witnesses have to  
700 say about the FCC's ability to reform the USF in the post-  
701 Comcast BitTorrent world. We need to figure out if the FCC  
702 has the authority it needs to make changes to how we pay into  
703 the USF and expand it to include broadband.

704 Regulatory uncertainty is not good for business and it  
705 is not good for consumers, so now it is time for Congress and  
706 the FCC to dig in and do what it takes to bring the real  
707 world infrastructure that gets us to the last mile. Thank  
708 you all, and I look forward to your testimony. I yield back.

709 [The prepared statement of Ms. Castor follows:]

710 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
711           Mr. {Boucher.} Thank you, Ms. Castor. The gentleman  
712 from Illinois, Mr. Rush, is recognized for 2 minutes.

713           Mr. {Rush.} Thank you, Mr. Chairman. I want to thank  
714 the ranking member and say good morning and welcome to each  
715 one of our witnesses here today. I want to thank you for  
716 appearing to offer your views on the program as well as your  
717 recommendations on how to best deploy broadband to  
718 individuals and families in unserved and underserved areas.  
719 In 1989 there was a blockbuster movie produced and directed  
720 by Kevin Costner called the Field of Dreams, and Kevin  
721 Costner plays an Iowa corn farmer, Ray Kinsella, who hears  
722 voices that tell him to build--if he would build it, he would  
723 come or they would come. Going on blind faith and his  
724 interpretation of what those voices have commanded of him,  
725 Ray invests extraordinary measures of time and resources to  
726 construct a baseball diamond in his corn field.

727           Nearly a year later, and following the jeers of  
728 neighbors and impending bankruptcy, his vision becomes  
729 manifest when the ghosts of Chicago White Sox, including the  
730 infamous Shoeless Joe Jackson, appear literally out of thin  
731 air to practice and play on that corn field diamond. The top  
732 leaders and management of communication companies have not  
733 only told us but are showing us time and time again that they

734 are not like Ray Kinsella. Unlike Mr. Kinsella, they are not  
735 novices in business. Unlike Mr. Kinsella, these business  
736 leaders are driven by the prospects of generating hard cash  
737 assets and handsome returns for their shareholders. And,  
738 unfortunately, unlike Ray, some of these companies have lost  
739 touch with the vision of their own founders to be content  
740 with modest profits while erring on the side of consistently  
741 growing their networks through all economic cycles.

742         Just a generation or two ago, a large percentage of  
743 these companies and even public utilities were owned by a  
744 wider basis of shareholders. Many of these shareholders held  
745 but a few shares of stock in a given company and were content  
746 to know that their investment would provide them with  
747 predictable income and stable dividends. These wide bases  
748 have strengthened increasingly over the years and some of  
749 these companies have been reorganized so as to avoid or to  
750 minimize their public interest obligation and duties under  
751 the law. They are now comprised of smaller and smaller  
752 groups of extremely wealthy individuals and giant financial  
753 institutions whose interest in expanding their networks are  
754 inseparable from what the last few sets of quarterly profits  
755 on these companies' income statements show. Therein lies the  
756 rub, Mr. Chairman, and members of the subcommittee. How can  
757 we find that swing spot where network expansion and broadband

758 deployment intersect with the motives of emerging and mature  
759 communications companies alike.

760           And I will be listening intently to what the witnesses  
761 have to say today in their testimony, and during the question  
762 and answer period to hear how best Congress can promote the  
763 goal of the National Broadband Plan, deploying broadband  
764 facilities to 99 percent of the unserved population by the  
765 year 2020. We are in 2010 now. Ten years isn't a lot of  
766 time. Let us start talking and start working and start  
767 making it happen. Thank you. I yield back the balance of my  
768 time.

769           [The prepared statement of Mr. Rush follows:]

770 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
771           Mr. {Boucher.} Thank you very much, Mr. Rush. The  
772 gentleman from Washington State, Mr. Inslee, is recognized  
773 for 2 minutes.

774           Mr. {Inslee.} Thank you. I just want to note where the  
775 longest last mile is, which is in the tribal communities, and  
776 hope that we can discuss ways to advance finishing that  
777 longest last mile. We have got infrastructure challenges.  
778 We have got government relationship challenges. We have got  
779 some good progress with 57 tribes out in Washington. I think  
780 there are things we can do, and I hope we will talk about  
781 ways to get that done today. Thanks.

782           [The prepared statement of Mr. Inslee follows:]

783 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
784           Mr. {Boucher.} Thank you, Mr. Inslee. The gentle lady  
785 from Colorado, Ms. DeGette, is recognized for 2 minutes.

786           Ms. {DeGette.} Mr. Chairman, these are obviously  
787 concerns that we share even in urban districts as I discussed  
788 at the last hearing. And with that, I will submit my opening  
789 statement and look forward to the testimony.

790           [The prepared statement of Ms. DeGette follows:]

791 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|

792           Mr. {Boucher.} Thank you very much, Ms. DeGette. We  
793 will add 2 minutes to your time for questioning our panel of  
794 witnesses. We turn now to our panel, and I want to welcome  
795 each of them. I will say just a brief word of introduction  
796 about each, and then we will be very pleased to hear from  
797 you. Sharon Gillett is the Chief of the Wireline Competition  
798 Bureau at the Federal Communications Commission, and was a  
799 participant in the construction of the National Broadband  
800 Plan. David Villano is the Assistant Administrator of the  
801 Telecommunications Program at Rural Development at the U.S.  
802 Department of Agriculture. Joe Garcia is the Regional Vice  
803 President for the National Congress of American Indians.  
804 Derek Turner is a Research Director for Free Press. Mark  
805 Dankberg is the Chairman and CEO of ViaSat, Inc. Austin  
806 Carroll is the General Manager of the Hopkinsville Electric  
807 System from Hopkinsville, Kentucky. And Jeffrey Eisenach is  
808 the Managing Director and Principal for Navigant Economics  
809 LLC.

810           We welcome each of you this morning, and without  
811 objection your prepared written statements will be inserted  
812 in the record. We would welcome your oral summaries and ask  
813 that you try to keep those to approximately 5 minutes. Ms.  
814 Gillett, we are glad to have you here. Congratulations on

815 the fine work with the broadband plan, and we look forward to  
816 hearing from you.

|

817 ^STATEMENTS OF SHARON GILLETT, CHIEF, WIRELINE COMPETITION  
818 BUREAU, FEDERAL COMMUNICATIONS COMMISSION; DAVID VILLANO,  
819 ASSISTANT ADMINISTRATOR, TELECOMMUNICATIONS PROGRAM, RURAL  
820 DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE; JOE GARCIA,  
821 REGIONAL VICE PRESIDENT, NATIONAL CONGRESS OF AMERICAN  
822 INDIANS; S. DEREK TURNER, RESEARCH DIRECTOR, FREE PRESS; MARK  
823 DANKBERG, CHAIRMAN AND CEO, VIASAT, INC.; AUSTIN CARROLL,  
824 GENERAL MANAGER, HOPKINSVILLE ELECTRIC SYSTEM; JEFFREY A.  
825 EISENACH, MANAGING DIRECTOR & PRINCIPAL, NAVIGANT ECONOMICS  
826 LLC

|

827 ^STATEMENT OF SHARON GILLETT

828 } Ms. {Gillett.} Thank you, Chairman Boucher, Ranking  
829 Member Stearns, and members of the subcommittee for the  
830 opportunity to testify today about broadband deployment as  
831 described in the National Broadband Plan. I am also  
832 submitting a technical paper that the FCC is publishing on  
833 the topic, and I request that it be made part of the record.

834 Mr. {Boucher.} Without objection.

835 [The information follows:]

836 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|

837           Ms. {Gillett.} Thank you. As you know, the plan stems  
838 from a Congressional directive to ensure that all people in  
839 the U.S. have access to broadband capability. To meet that  
840 objective, the FCC needed to size the gap between current  
841 broadband deployment levels and the goal of deployment to  
842 everyone. Given the limited state of available data on  
843 broadband deployment, sizing the gap was not a simple task.  
844 It involved considerable effort to gather the best available  
845 data and incorporate it into a comprehensive model of the  
846 current status of broadband deployment. This model considers  
847 a housing unit to have access to broadband capability if it  
848 is close enough to today's telephone or cable network  
849 infrastructure such that a service provider can deliver  
850 broadband at actual speed of 4 megabits per second download  
851 and 1 megabit per second upload today.

852           The model estimates that 95 percent of the housing units  
853 in the U.S. can be served from today's infrastructure,  
854 meaning that about 14 million Americans cannot be served.  
855 Just because a housing unit can be served, however, does not  
856 mean that it is. There is no guarantee that a provider makes  
857 a retail service available to every home that its network is  
858 capable of serving. As a result, the actual number of  
859 citizens who cannot purchase broadband service is likely

860 higher than 14 million. Limitations in the model data  
861 sources also contribute to sensitivities in the 95 percent  
862 estimate.

863         For example, we relied on public cable industry data,  
864 which estimates that 90 percent of housing units are  
865 reachable with cable-based broadband. This data attributes  
866 cable broadband availability to entire cable franchise areas  
867 if any part of the franchise area is served with two-way  
868 capability. This attribution is accurate in most, but not  
869 all, cases, and accordingly the 90 percent figure may be an  
870 overstatement. The plan's estimate of an additional 5  
871 percent of housing units that are reachable only through  
872 telephone-based broadband is similarly based on limited data.  
873 The model relied on data for a number of states as an input  
874 to a statistical regression analysis that allowed us to adapt  
875 the conclusions from these states to the rest of the nation.

876         And I will add that exactly because of the kinds of  
877 concerns raised by Chairman Boucher, we did not rely on  
878 Virginia data as one of the states. As is generally the case  
879 though with statistical extrapolation there is also estimates  
880 rather than exact figures. As a complement to the broadband  
881 infrastructure modeling effort, we also analyzed FCC  
882 broadband subscribership data recognizing that such analysis  
883 is an imperfect means of assessing broadband availability.

884 This analysis suggests that 92 percent of Americans live in  
885 areas where broadband service is offered, meaning that as  
886 many as 24 million Americans live in areas where broadband  
887 service is not offered.

888         Based on these 2 methods of sizing the broadband  
889 deployment cap, we conclude that broadband is unavailable to  
890 approximately 14 to 22 million Americans. The model  
891 developed for the plan also estimates the financial  
892 commitments needed to reach unserved homes and the likely  
893 resulting revenues. This financial modeling shows that for  
894 today's unserved homes, which are largely located in low  
895 density rural areas. The private sector business case to  
896 reach them simply does not add up. While the market has done  
897 a great job of getting broadband to much of America, market  
898 incentives alone will not be enough to reach the homes that  
899 remain unserved today. Just as the current Universal Service  
900 Fund was instrumental in ensuring the availability of  
901 telephone service to over 99 percent of Americans, so too  
902 will a financial commitment to universal broadband service be  
903 necessary to ensure that broadband availability surpasses 95  
904 percent in the future.

905         Two helpful developments should improve data on the  
906 unserved. First, as a result of the Broadband Data  
907 Improvement Act, states are now gathering data about

908 broadband deployment and by next February this data will be  
909 integrated into a national broadband map. Second, later this  
910 year the FCC will propose revisions to its broadband data  
911 gathering methodology consistent with recommendations in the  
912 plan. We look forward to working with Congress, industry  
913 representatives, and public interest advocates to fashion a  
914 new regime of broadband data collection that will provide  
915 Congress and the FCC with the relevant data we need while  
916 respecting industry's concerns regarding data that is  
917 legitimately competitively sensitive.

918         Allow me to conclude by sharing with you that when I  
919 served as a state commissioner, lack of broadband  
920 availability was the top constituent complaint for  
921 legislators from rural districts, and now such complaints are  
922 the most frequent correspondence I receive from members of  
923 this august body. The addresses are all over the country but  
924 the issues are the same. In homes without broadband children  
925 are at an educational disadvantage. Parents are shut out  
926 from jobs that require online applications and no one can  
927 access critical government information and services online.  
928 If you live in one of those homes, it matters little to you  
929 whether broadband is available to 90, 92 or 95 percent of  
930 Americans. What matters most is that broadband is not  
931 available to 100 percent of the home that you live in.

932 Solving that problem lies at the heart of the National  
933 Broadband Plan and reflects the very core of the FCC's  
934 mission in the 21st Century to work to make sure that America  
935 has world-leading high speed broadband networks. Thank you  
936 again for inviting me to testify and I will be happy to  
937 address any questions.

938 [The prepared statement of Ms. Gillett follows:]

939 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
940           Mr. {Boucher.} Thank you very much, Ms. Gillett. Mr.  
941 Villano.

|  
942 ^STATEMENT OF DAVID VILLANO

943 } Mr. {Villano.} Thank you. Chairman Boucher, Ranking  
944 Member Stearns, members of the committee, thank you for the  
945 opportunity to discuss the Department of Agriculture's  
946 broadband program, specifically USDA's Community Connect  
947 Grant Program, administered by our Rural Utilities Service.  
948 We appreciate the work and support you and members of  
949 Congress have provided to help build a strong, dependable and  
950 affordable broadband infrastructure in rural areas. Rural  
951 development is truly committed to the future of rural  
952 communities. Throughout my 33-year career with rural  
953 development, I have worked in virtually all the programs,  
954 including business, housing, community facilities, and most  
955 recently our Telecommunications Program.

956 My career began in the field and since coming to our  
957 national office in Washington, D.C., I have seen firsthand  
958 the tremendous impact that our investments made in rural  
959 communities. In my current position, I am responsible for  
960 all rural development telecommunication programs, and I can  
961 think of no program more fundamental to the future of rural  
962 America. The expansion of advance telecommunication network  
963 strengthens our nation's economy and its growth. Yet, in our

964 rural communities internet use trails that of urban areas.  
965 At RUS, we view modern broadband infrastructure investment  
966 and rural economic competitiveness as a fundamental building  
967 block of sustaining economic development.

968 Communities lacking access to modern broadband service  
969 are at a severe disadvantage. During the past 60 years, RUS  
970 has provided nearly \$19 billion in loans and grants to build  
971 communication infrastructure in rural communities across the  
972 United States. Since 1995, all RUS financed  
973 telecommunication facilities have been broadband capable.  
974 Our broadband loan program created by the 2002 Farm Bill has  
975 provided over \$1.1 billion in loans to more than 90 broadband  
976 projects in rural communities spanning 42 states. Our  
977 distance learning and telemedicine program, also part of the  
978 2002 Farm Bill, provides loans and grants for educational  
979 opportunities and health care services such as computer  
980 networks, telemedicine capabilities, electronic medical  
981 records, and interactive educational facilities to rural  
982 communities.

983 To date, our distance learning and telemedicine program  
984 have funded nearly 1,000 projects in over 40 states totaling  
985 \$400 million. In 2009, the American Recovery and  
986 Reinvestment Act provided an additional \$2.5 billion for  
987 broadband loans and grants. The Recovery Act allows USDA to

988 provide a flexible mix of loans, grants, and loan-grant  
989 combinations similar to our water and community facility  
990 programs, which will make more project in unserved areas  
991 feasible and eligible for funding.

992         Our Community Connect grant program was created in 2002  
993 to meet the needs of totally unserved areas. Community  
994 Connect provides grants to eligible applicants to establish  
995 broadband service on a community-oriented connectivity basis.  
996 Broadband service funded through the program must foster  
997 economic growth and deliver enhanced educational, health  
998 care, and public safety services. Community Connect has  
999 provided more than \$98 million funds to provide broadband  
1000 services in 197 unserved communities, including some of the  
1001 lowest income, neediest, and often highest cost to serve  
1002 areas in the nation. Twenty-five percent of them have gone  
1003 to tribal areas. The demand for our Community Connect  
1004 program has been considerable. Last year alone, RUS received  
1005 over 200 applications requesting over \$200 million for the  
1006 \$13 million that we had available.

1007         An excellent example of the impact of the Community  
1008 Connect program is the grant awarded to Sacred Wind  
1009 Communications. This \$436,000 Community Connect grant made  
1010 in 2005 funded broadband service for the community of  
1011 Huerfano, New Mexico, on the Navajo reservation. Today,

1012 Navajos of all ages come to the center to use the computers  
1013 to check their e-mail, perform searches, job hunt, do  
1014 homework assignments, play educational games, apply to  
1015 college, and to meet with others for social and e-commerce  
1016 business purposes. In October of 2009 American Express  
1017 announced that Sacred Wind Communications was voted the most  
1018 aspiring small business in America in the company's Shine a  
1019 Light contest. This is but one example of how Community  
1020 Connect serves a catalyst for sustainable broadband adoption  
1021 in rural areas.

1022       There is no single solution to the complicated mission  
1023 of bringing advanced telecommunication services to every  
1024 citizen. Government incentives, cost support mechanisms,  
1025 changes in technology, and private investment all play a  
1026 role. The \$98 million invested through our Community Connect  
1027 program is just one tool in the toolbox to achieve the  
1028 Administration and Congress' broadband policy goals. As the  
1029 most longstanding direct federal grant program to promote  
1030 rural broadband Community Connect is worthy of further study  
1031 to draw lessons learned, not only in terms of broadband  
1032 deployment but in the impact on economic development, health  
1033 care opportunities, education, and other key indicators of  
1034 the vibrancy of local communities. These lessons can be  
1035 applied to the analyst of much larger investments now being

1036 undertaken through the Recovery Act to promote broadband  
1037 throughout the United States.

1038           Rural communities will always face challenges in  
1039 competing economically but they are stronger today because of  
1040 the partnership forged at USDA's Rural Development. It is an  
1041 honor and a privilege to work with you and our federal  
1042 partners throughout the Obama Administration to make  
1043 affordable broadband service widely available throughout  
1044 rural America. Thank you again for inviting me here to  
1045 testify. I will be glad to address any questions you may  
1046 have.

1047           [The prepared statement of Mr. Villano follows:]

1048 \*\*\*\*\* INSERT 3 \*\*\*\*\*

|  
1049           Mr. {Boucher.} Thank you very much, Mr. Villano. Mr.  
1050 Garcia.

|  
1051 ^STATEMENT OF JOE GARCIA

1052 } Mr. {Garcia.} Good morning. I am Joe Garcia, and I am  
1053 the current chairman of the All Indian Pueblo Council in New  
1054 Mexico, and also the vice president representing the National  
1055 Congress of American Indians, also former president of the  
1056 National Congress. Chairman Boucher, Ranking Member Stearns,  
1057 and members of the committee, thank you for the opportunity  
1058 to provide this testimony on the great potential of the  
1059 National Broadband Plan to serve Indian country. Today, some  
1060 90 percent of Native Americans living in Indian country do  
1061 not have affordable or reliable high speed access to the  
1062 internet. The economic, cultural and human significance of  
1063 that fact cannot be underestimated. Connecting Indian  
1064 country with the world can reverse centuries of isolation and  
1065 neglect.

1066 In the National Broadband Plan, however, Indian country  
1067 was not an afterthought. Concepts such as a tribal-centric  
1068 deployment models and core community institutions are now  
1069 becoming part of the FCC's vocabulary. The FCC now  
1070 understands that carriers have often stopped at the borders  
1071 of Indian country and why tribes often find themselves as the  
1072 only ones willing to make the commitment to provide these

1073 services to their citizens. These lessons have taught us an  
1074 important fact about telecom and Indian country. Deployment  
1075 must be sustainable before it can ever hope to be profitable.

1076 The submission of the plan to Congress is only the  
1077 beginning of this process. This morning, I would like to  
1078 highlight 5 recommendations. Our written testimony also  
1079 expands beyond the comments here today. First and foremost,  
1080 the plan recommends that Congress establish a tribal  
1081 broadband fund to bring services to tribal headquarters and  
1082 other anchor institutions, as well as assisting tribes in  
1083 deployment planning, infrastructure build out, feasibility  
1084 studies, technical assistance, business plan development and  
1085 implementation, digital literacy, and outreach. Only a new  
1086 separate fund will ensure that broadband is actually deployed  
1087 in Indian country.

1088 The existing BIP and the BTOP programs funded at \$7.2  
1089 billion will not be sufficient to close the broadband  
1090 availability gap. While a handful of tribal projects receive  
1091 funding from the Recovery Act, it will take an additional  
1092 \$1.2 billion to \$4.6 billion specifically targeted for the  
1093 tribal broadband fund to begin to close the digital divide.  
1094 Second, and equally important, is the creation of the FCC  
1095 Office of Tribal Affairs. To be credible and effective, the  
1096 FCC must give the office sufficient resources, authority, and

1097 jurisdiction over communication issues affecting Indian  
1098 country. Congress must increase funding for the FCC's Indian  
1099 telecom initiatives so that it can genuinely develop and  
1100 drive a tribal agenda. This new office should be an  
1101 effective instrument of the FCC and voice for tribal nations  
1102 in Washington.

1103         Third, the universal fund should be reformed with a  
1104 special emphasis on the unique nature of Indian country. For  
1105 instance, a library in Indian country may be different from  
1106 what a library looks like elsewhere, but that is no reason to  
1107 deny support. Indian schools need support not only for their  
1108 classrooms but also for their dormitories where children need  
1109 the internet to study. As sovereign nations, tribes need a  
1110 seat at the table for ETC designations for USF support. In  
1111 changing USF, however, Congress not inadvertently cut the  
1112 only wire going into Indian country. The current analog  
1113 telephone High Cost and Tribal Lifeline and Link-Up programs  
1114 are vital to Indian Country and must not be negatively  
1115 affected. To assist with this transition, we also urge  
1116 Congress to establish a tribal seat on the USF Federal-State  
1117 Joint Board.

1118         Fourth, tribes need spectrum, spectrum that is often in  
1119 the hands of licensees that have not used it to bring service  
1120 to Indian country. The FCC should reclaim dormant spectrum

1121 and make it available to tribes who actually deliver  
1122 services. This must be more than just unregulated or White  
1123 Space spectrum. It must consider dormant licensed spectrum  
1124 as well. Finally, we urge congressional support for the  
1125 adoption of a Tribal Priority to address the many barriers to  
1126 entry. The Tribal Priority that was recently adopted by the  
1127 FCC for broadcast spectrum is well grounded in strong  
1128 constitutional principles based on the political status of  
1129 tribal nations as sovereign entities.

1130         A new tribal priority should be used with reclaim  
1131 spectrum to ensure that it is actually used for broadband  
1132 services to tribal lands but it should also be used by the  
1133 FCC beyond spectrum to barriers across the commission's  
1134 rules. At this point, I would like to just say that at Ohkay  
1135 Owingeh--Ohkay Owingeh is the Place of the Strong People. We  
1136 live 25 miles from the state capital of New Mexico, Santa Fe.  
1137 The Los Alamos National Lab, where I retired from, exists  
1138 just 25 miles away, and yet our little community had no  
1139 access to the internet. A phone company was there but it  
1140 only brought DSL services, and my brother lived less than 1/8  
1141 mile away from where I lived. He had DSL. I didn't have  
1142 DSL. But we took that opportunity to say we need access.  
1143 And so we went and did a proposal to USDA some years ago. We  
1144 got funded, and now we have wireless service in our community

1145 thanks to our own efforts and to the funding from USDA.

1146 But that is really what life is about in this country is  
1147 that if you live in the rural areas and remote areas that is  
1148 where the non-access is the biggest culprit for America.  
1149 While new congressional funding actions are essential, there  
1150 will be a strong return on your investment by engaging tribal  
1151 governments and community institutions, by taking a tribal-  
1152 centric approach to deployment, by digging once and by  
1153 sharing infrastructure efficiently. Federal funding will  
1154 produce a bountiful return and will actually save money in  
1155 the long run. In closing, there is one important benefit  
1156 that I cannot fail to mention and that is the sense of  
1157 empowerment that broadband can bring. The ability to shape  
1158 one's own future to provide a better world for new  
1159 generations is an important part of what we mean by tribal  
1160 sovereignty.

1161 The National Congress of American Indians looks forward  
1162 to continuing our mutually beneficial relationship with the  
1163 FCC and Congress as we all work to implement effectively the  
1164 National Broadband Plan while finally moving Indian country  
1165 to the forefront of technology. Thank you so much.

1166 [The prepared statement of Mr. Garcia follows:]

1167 \*\*\*\*\* INSERT 4 \*\*\*\*\*

1168

|

Mr. {Boucher.} Thank you, Mr. Garcia. Mr. Turner.

|  
1169 ^STATEMENT OF S. DEREK TURNER

1170 } Mr. {Turner.} Chairman Boucher, Ranking Member Stearns,  
1171 and members of the committee, I thank you for the opportunity  
1172 to testify today on the important issue of the FCC's National  
1173 Broadband Plan. I am the research director for Free Press, a  
1174 public interest organization dedicated to public education  
1175 and consumer advocacy on communications policy. We have for  
1176 years worked to ensure that the principles and goals in the  
1177 Communications Act are translated through the public policy  
1178 process into a reality for all Americans. Thus, we welcome  
1179 the call for the FCC to produce a National Broadband Plan and  
1180 we were very pleased that Congress requested the plan contain  
1181 an evaluation of the status of broadband deployment. Good  
1182 data is a requirement for good policy, and as Congress has  
1183 recognized for too long policymakers have not had the right  
1184 data to understand the problems in our broadband market.

1185 But as important as quality data is, it is equally  
1186 important that the information be presented in a way where  
1187 all the caveats, assumptions, and uncertainties are made  
1188 extremely clear. Congress asked that the National Broadband  
1189 Plan evaluate the status of broadband deployment and despite  
1190 a valiant effort, I think that the information presented to

1191 Congress in the plan, particularly the way it is presented,  
1192 overstates the actual availability of broadband service in  
1193 America. In particular, the information presented in the  
1194 plan serves to understate the magnitude of the underserved  
1195 broadband problem, implying that high quality services are  
1196 offered in most rural areas when we know that they probably  
1197 are not. This is partly the result of some questionable  
1198 assumptions that underlie the data but at a high level it is  
1199 the result of an unfortunate presentation of the information  
1200 that can be misleading.

1201         The National Broadband Plan reports that 95 percent of  
1202 U.S. housing units have access to broadband infrastructure  
1203 capable of supporting actual download speeds of at least 4  
1204 megabits per second and actual upload speeds of at least 1  
1205 megabit per second, a service quality threshold which is the  
1206 plan's national availability target. This finding is  
1207 presented prominently in this map and the broadband plan, a  
1208 figure with the title availability of 4 megabits per second  
1209 capable broadband networks in the United States. Now when I  
1210 hear the word availability or am told that something is  
1211 available, I think that means that I could get the item or  
1212 service because someone is offering it. But the plan's 95  
1213 percent available 4 megabit finding is not supported by data  
1214 on what services are actually being offered.

1215           The finding is largely based on the assumption that  
1216 where cable services are such infrastructure is capable of  
1217 delivering broadband service at this quality, but this is  
1218 like saying if I build a grocery store on top of a mountain  
1219 that is served by a forest road, bread is therefore available  
1220 in my store because that forest road gives me the capability  
1221 of bringing bread there. But if I had no bread on the shelf  
1222 or if the bread is stale the customers won't much care that I  
1223 have the capability of getting it there. The problems with  
1224 this estimate only serve to highlight the fact that the FCC  
1225 currently lacks adequate information on the actual state of  
1226 broadband availability despite years of public and  
1227 congressional pleas for better data. This need not be the  
1228 case.

1229           The commission has for nearly 2 years failed to act on  
1230 its own proposal to collect broadband availability data and  
1231 now despite the fact that the National Broadband Plan  
1232 strongly recommends that the FCC finally gather this data,  
1233 the commission has signaled its intent to delay the matter  
1234 even further by starting another proceeding all the way at  
1235 the end of this year. As I said at the start, good data is a  
1236 requirement for good policy, but so too is a strong  
1237 commitment to efficiency and good ideas in the face of  
1238 entrenched interests. The National Broadband Plan does set

1239 out a plausible vision for modernizing the Universal Service  
1240 Fund, one that Free Press generally supports. However, this  
1241 USF transition plan still leaves in place many of the more  
1242 problematic aspects of the existing subsidy system, including  
1243 the lack of a determination of where subsidies are actually  
1244 needed to keep rates at a quality and a reasonably comparable  
1245 rate.

1246         Also, the plan proposed to bring unserved areas 2010 era  
1247 technology but not until 2020. This raises concerns whether  
1248 these networks will be scalable to reach future universal  
1249 service goals. If we follow such a path, we may ultimately  
1250 end up just replacing one form of the digital divide with  
1251 another where urban Americans have world-class quality  
1252 networks while rural America is stuck with second class  
1253 access. In closing, as Congress moves forward with the  
1254 oversight of the National Broadband Plan and with its own  
1255 ideas on universal service reform it should be aware of all  
1256 the caveats in the data. Policymakers need the right  
1257 information to ensure our broadband infrastructure challenges  
1258 are met in the most efficient manner possible. I thank you  
1259 for your attention and look forward to your questions.

1260         [The prepared statement of Mr. Turner follows:]

1261 \*\*\*\*\* INSERT 5 \*\*\*\*\*

|  
1262           Mr. {Boucher.} Thank you very much, Mr. Turner. Mr.  
1263 Dankberg.

|  
1264 ^STATEMENT OF MARK DANKBERG

1265 } Mr. {Dankberg.} Good morning, Chairman Boucher, Ranking  
1266 Member Stearns, and the members of the committee. Thank you  
1267 very much for the opportunity to present. I am Mark  
1268 Dankberg. I am co-founder of ViaSat, Inc. It is a company I  
1269 started in my house about 24 years ago. It has grown to have  
1270 about 2,000 employees all around the country. And for the  
1271 last 10 years, we have been very focused on bringing  
1272 broadband to America by satellite. We are close to a billion  
1273 dollar company and we provide this technology all around the  
1274 world. We were investing about \$1 billion starting 2 years  
1275 ago to do this, and I wanted to cite a famous American, Will  
1276 Rogers, who, believe it or not, is a broadband expert. When  
1277 Will Rogers said it is not the things that you don't know  
1278 that will hurt you. It is the things you think are so but--  
1279 what you think is true but ain't so--so let us go back. I am  
1280 going to tell you 3 things that you think are so--that you  
1281 think are true and ain't so.

1282 One is that lack of availability of broadband is  
1283 primarily a rural problem. I am going to show you evidence  
1284 from our subscribers where they are that it is actually--  
1285 there are more people in Ohio, Virginia, New York, California

1286 without broadband then there are in Wyoming and Montana.  
1287 There are higher percentages in the rural states but more  
1288 people in the developed states. Number 2, that we think it  
1289 is good business to serve people who don't have broadband  
1290 available. That is what we are doing. We are investing in  
1291 it. And, third, that satellite actually can provide a very  
1292 good service. It is not a second rate service. So the first  
1293 thing is this map. Here we show the State of Virginia. The  
1294 green areas are areas that are mapped to have availability of  
1295 one or more terrestrial broadband services.

1296         Yet, WildBlue, which has over 400,000 subscribers, more  
1297 than half of our subscribers in the State of Virginia are in  
1298 areas that are supposed to have broadband available. It is  
1299 strong empirical evidence that shows exactly what we have  
1300 been talking about that the availability of broadband does  
1301 not extend to all people. These people--90 percent of our  
1302 subscribers tell us that they can't get terrestrial  
1303 broadband, even those people that are in these areas that are  
1304 green. Now this means that it is a much tougher problem. It  
1305 is not a problem just in rural areas. It is a problem around  
1306 cities. The next map shows Ohio, and you can see it is  
1307 almost the same thing. The green areas, all the blue dots  
1308 are subscribers who have gotten satellite because they can't  
1309 get terrestrial broadband even in those areas.

1310           So you can imagine that if we think we are going to try  
1311 to serve all these unserved people, we would essentially be  
1312 building out infrastructure throughout the State of Ohio, not  
1313 just in the rural areas. So satellite is actually an  
1314 excellent way to provide broadband to these scattered people,  
1315 whether they are in rural areas or around metro areas. This  
1316 next chart shows basically how people use the internet, and I  
1317 wanted to make that point. See if we can move on to the next  
1318 chart, please. It is a pie chart, and it shows data from  
1319 Cisco Systems that shows what the applications are that  
1320 people use on the internet, and you can see it is dominated  
1321 by 3 things, video, web and e-mail, and peer to peer. For  
1322 those services, which make up 95 percent of internet access,  
1323 satellite is actually excellent service. We also can provide  
1324 gaming services. We can provide voice and video services.

1325           And to correct sort of misperceptions, I would like to  
1326 show a quick 40-second clip. I wish we could demonstrate it  
1327 here. But this is just 40 seconds slice of clip of an actual  
1328 satellite internet session showing people doing voice-video  
1329 communications and web browsing that I think will be really  
1330 illuminating. If we could move it out, please. I think we  
1331 might have to adjust the volume a little bit. Will you turn  
1332 up the volume, please?

1333 [Video.]

1334           Mr. {Dankberg.} The point being is it just looks like  
1335 an internet session, and it is. It is just like any internet  
1336 session that you would have on cable or fiber optics except  
1337 that it is done over satellite. And the point that we are  
1338 trying to make is that this is far, far more effective. The  
1339 next slide just shows where people talk about thousands of  
1340 dollars to build out or tens of thousands of dollars to build  
1341 out services. Using satellite is basically \$5 is the cost to  
1342 make satellite available to any place in our coverage area.  
1343 We provide service at \$49 a month and if people elect service  
1344 the service quality that you saw on that video clip, which we  
1345 believe is very, very comparable to cable or terrestrial  
1346 broadband would cost less than \$1,000 to provision at the  
1347 level that you saw in that video clip.

1348           We also make that available on a wholesale basis for  
1349 less than half that \$49 price to retailers, including DISH  
1350 TV, DirectTV, the National Rural Telecom Cooperative, Quest,  
1351 and AT&T. We think the FCC properly noted that this can be a  
1352 good service. What they said is satellite with these next  
1353 generation satellites such as the ones that we are offering  
1354 can make service available to any American. All they  
1355 question is whether this is a scalable solution. I want to  
1356 point out it would take about 7 satellites, that is 7 next  
1357 generation satellites to make that service available to 7

1358 million subscribers anywhere in the United States. There are  
1359 already 5 first generation satellites that are up. They are  
1360 not as good as the one that we are launching now but they  
1361 indicate the level of investment private industry has already  
1362 made. Go to the next slide, please. There are 2 of these  
1363 next generation satellites currently under construction. The  
1364 others will be available 1 year from now and will make the  
1365 level of service that you saw available to approximately 1 to  
1366 1-1/2 million people in our coverage area. And just by  
1367 comparison there is 25 existing satellites just for satellite  
1368 TV over the United States today.

1369         So the main 3 points I would like to make at the end is  
1370 we do believe private industry can deal with this. If the  
1371 government feels though that the subsidy should be used what  
1372 we would say is that it should be technology neutral to let  
1373 this very cost-effective technology be one of the  
1374 alternatives. We recommend that it be competitive, that the  
1375 way you compete is to provide equal service at the lowest  
1376 cost and that the other important point is that the consumer  
1377 should have a choice, that they shouldn't be forced to get  
1378 service from a particular subscriber because one company has  
1379 been chosen as the designated entity in that area. And if  
1380 you look at it--

1381         Mr. {Boucher.} Mr. Dankberg, you are well over your

1382 amount of time here. Can you just wrap up quickly, please?

1383 Mr. {Dankberg.} I was just going to say the 30 million  
1384 satellite homes that get TV in the U.S., nobody would think  
1385 people would use satellite for TV.

1386 Mr. {Boucher.} Thank you very much, Mr. Dankberg.

1387 [The prepared statement of Mr. Dankberg follows:]

1388 \*\*\*\*\* INSERT 6 \*\*\*\*\*

1389 | Mr. {Boucher.} Mr. Carroll.

|  
1390 ^STATEMENT OF AUSTIN CARROLL

1391 } Mr. {Carroll.} Good morning, Chairman Boucher, Ranking  
1392 Member Stearns, and members of the committee. Thank you for  
1393 allowing me to be here. My name is Austin Carroll. I am  
1394 general manager of Hopkinsville Electric System in  
1395 Hopkinsville, Kentucky, and I am testifying today on behalf  
1396 of the American Public Power Association where I serve on the  
1397 board of directors and the Kentucky Municipal Utilities  
1398 Association, as well as my position at Hopkinsville Electric  
1399 System. APPA is a national service organization that  
1400 represents the interests of more than 2,000 publicly-owned,  
1401 not-for-profit electric utilities located in all states  
1402 except Hawaii. Exhibit 1 in your materials is a map showing  
1403 the location of the APPA members nationwide. Many of these  
1404 utilities developed in communities that were literally left  
1405 in the dark during the era when the United States was  
1406 electrified as private sector electric companies pursued  
1407 opportunities in larger population areas.

1408 State and local governments, therefore, undertook the  
1409 effort to ensure that residents of their communities were  
1410 served by their own power systems in recognition of the fact  
1411 that electricity is critical to the economic development and

1412 educational opportunities and quality of life for its  
1413 residents. Currently, over 70 percent of APPA's members are  
1414 communities with less than 10,000 population, and  
1415 approximately 45 million Americans receive their electricity  
1416 from public power systems. Many of the public power systems  
1417 were established primarily as the large utilities were  
1418 unwilling to serve smaller communities and rural areas, which  
1419 were then viewed as unprofitable. In these cases,  
1420 communities formed public power systems to do for themselves  
1421 what the private sector was either unable to unwilling to do  
1422 at a fair price.

1423         The same trend is occurring today in the area of  
1424 broadband and advanced communications. Many public power  
1425 systems are meeting the new Age demands of their communities  
1426 by providing broadband services where such services are  
1427 unavailable, inadequate or too expensive. These services,  
1428 provided with high quality and affordable prices, are crucial  
1429 to the economic success and quality of life of communities  
1430 across the nation. Nationwide, 700 public power utilities  
1431 provide broadband services to school districts, local  
1432 governments, hospitals, and almost 200 provide internet  
1433 services to the residents. Municipal utilities are nonprofit  
1434 and do not provide dividends for stockholders. In Kentucky  
1435 they pay wages that are comparable to that paid by the State

1436 of Kentucky. Many public power systems have secured loans or  
1437 utilized municipal bonds to invest in infrastructure for  
1438 broadband. Municipal utilities are locally owned and  
1439 operated utilities that are governed by elected municipal  
1440 councils or independent utility boards appointed by elected  
1441 mayors. Thus, unlike large private sector broadband  
1442 providers, municipalities' sole focus is the needs of their  
1443 own small territories, and they are responsive to their  
1444 residents through the electoral process.

1445         It is not my purpose to criticize private sector  
1446 telephone and cable companies' broadband investment,  
1447 deployment and pricing decisions, but rather to illustrate  
1448 the differences between these companies and municipal/public  
1449 power utilities that deploy broadband services. This  
1450 testimony focuses on broadband services provided by Kentucky  
1451 municipalities, which I think will provide a particular  
1452 useful example of the important role public power utilities  
1453 have to play in making broadband available nationwide. And I  
1454 have included a map of Kentucky so you can see the  
1455 municipalities in Kentucky and the ones providing broadband  
1456 services.

1457         In May of 1998, our community board of directors agreed  
1458 to run fiber optic cable to our substations around town in  
1459 order to monitor the substations for electric outage

1460 prevention. Then in '99, we had ringed our city on the basis  
1461 of ringing these substations with fiber optic infrastructure.  
1462 At that time, broadband was not available in Hopkinsville.  
1463 Recognizing the need for our community to participate in the  
1464 global economy and have available all educational  
1465 opportunities, HES elected to use our fiber infrastructure to  
1466 provide broadband services to local businesses, industries,  
1467 government entities and others needing high-speed  
1468 communications.

1469 We formed a subsidiary, EnergyNet, to manage that and we  
1470 keep separate books on the EnergyNet side as opposed to the  
1471 electric side. Bandwidth at reasonable prices quickly became  
1472 a popular entity in our community. Kentucky Derby Hosiery,  
1473 an international sock company, was our first customer. And  
1474 after that, city building, emergency operations center, fire  
1475 stations, police stations were connected. All schools were  
1476 connected as well, and by becoming a USAC-approved provider  
1477 of E-Rate services, we were able to reimburse the school  
1478 system 80 percent of its cost of connectivity so major  
1479 businesses in town are now connected over our system.

1480 We have now also employed a mass network of radio  
1481 transmissions across our city and that is our solution for  
1482 the residential sector of Hopkinsville. We have continued to  
1483 grow. We have built a network operations center that is a

1484 very hardened facility unlike anything else in our community,  
1485 and we have several of our industries, hospital, and so  
1486 forth, that locate their service there for security.  
1487 Hopkinsville was initially handicapped because we didn't have  
1488 a point of presence for a long distance company, and so it  
1489 was very expensive to try to get broadband at wholesale  
1490 prices into our community. We have now constructed a line to  
1491 Bowling Green, Kentucky, where there was a point of presence,  
1492 and we dropped our megabit cost from \$125 to \$20, which that  
1493 savings had been passed along to our consumers.

1494           But we now have a world-class system in Hopkinsville.  
1495 We can provide broadband at prices that are competitive with  
1496 major cities. I call them NFL cities. And we are hoping to  
1497 be able to attract a large data center to our community  
1498 because we have got all the resources to do so. So it is not  
1499 only a service to our existing businesses and industry but as  
1500 an economic tool as well. And I appreciate your allowing me  
1501 to make these comments, and I look forward to your questions.

1502           [The prepared statement of Mr. Carroll follows:]

1503 \*\*\*\*\* INSERT 7 \*\*\*\*\*

1504

|

Mr. {Boucher.} Thank you, Mr. Carroll. Mr. Eisenach.

|  
1505 ^STATEMENT OF JEFFREY EISENACH

1506 } Mr. {Eisenach.} Mr. Boucher, Mr. Stearns, members of  
1507 the subcommittee, thank you for having me here today. I will  
1508 move quickly to stay on time. The first point I would like  
1509 to make is that America's current broadband policies are by  
1510 and large succeeding. Availability is increasing, prices are  
1511 falling, adoption is rising, and high rates of investment and  
1512 innovation ensure that these trends will continue. Our  
1513 policies can be improved and the National Broadband Plan  
1514 contains some good ideas for doing so, but we could also make  
1515 things worse, in particular, by imposing radical and  
1516 unwarranted new regulations. I will circle back to these  
1517 policy issues in a minute, but first let me describe what I  
1518 consider to be some clear indicators that our broadband  
1519 policies are producing good results.

1520 I have got some slides. We can go ahead and put the  
1521 first one up. First, as the National Broadband Plan itself  
1522 points out, approximately 19 out of 20 American households  
1523 have access to one or more wireline providers today, and even  
1524 more, all but about 2 percent, have access to one or more  
1525 providers offering 3G wireless services. Second, and as the  
1526 next slide shows, broadband prices are dropping and speeds

1527 are increasing. Most importantly, from the perspective of  
1528 broadband adoption, the price per megabit for entry level  
1529 plans has fallen by about 75 percent since 2004. I will  
1530 pause for a second and emphasize the price of entry level  
1531 broadband services per megabit in the United States has  
1532 fallen by 74 percent in the last 5 years. That is a success  
1533 story.

1534 Third, as the next slide shows, broadband adoption in  
1535 the U.S. has reached nearly 70 percent of households and is  
1536 continuing to expand, and as the next slide shows, and,  
1537 importantly, adoption is rising most rapidly in the  
1538 demographic groups where it has been lowest in the past.  
1539 With adoption rates rising by 58 percent among those aged 65  
1540 or above, 40 percent for low income households, and 21  
1541 percent for rural households between 2008 and 2009. Now  
1542 these positive results, as the next slide suggests, are a  
1543 function of the high levels of mainly private investment of  
1544 America's broadband infrastructure. Between 2008 and 2014  
1545 analysts estimate that private firms will invest over \$450  
1546 billion in America's communications infrastructure of which  
1547 more than half, \$244 billion, will be dedicated to broadband.

1548 In fact, as the next slide indicates, perhaps the  
1549 strongest indicator that our broadband policies are working  
1550 lies in the fact that investment and communications equipment

1551 has performed quite strongly even during the recent  
1552 recession. Whereas private fixed investment overall is down  
1553 nearly 25 percent since 2006, investment in communications  
1554 equipment is up by nearly 10 percent. These data are  
1555 important because they refute the story line some interest  
1556 groups are pushing which is that our policies have failed and  
1557 are in need of radical change in the form of massive new  
1558 regulatory schemes known as Net Neutrality and mandatory  
1559 unbundling. Complete discussion of these issues would take  
1560 more time than we have here today, but let me be clear about  
1561 this. Whatever else one thinks about these proposals, there  
1562 is simply no question that they would reduce investment and  
1563 slow deployment of broadband infrastructure, which is what we  
1564 are here talking about today.

1565         Now let me turn to the National Broadband Plan's  
1566 proposal for expanding broadband availability and reforming  
1567 the universal service program, the thrust of which I strongly  
1568 support. In particular, the commission is in my view  
1569 absolutely right to focus universal service subsidies on  
1570 areas where there is not in the absence of a subsidy a viable  
1571 business case for private sector deployment. That is, areas  
1572 which would otherwise be unserved. Further, the commission's  
1573 proposal to save about \$15.5 billion by phasing out funding  
1574 to competitive eligible telecommunications carriers and

1575 reducing funding to other high-cost programs are long  
1576 overdue.

1577 I would also suggest the commission take a hard look at  
1578 areas where cable firms offer unsubsidized voice service. If  
1579 a cable company can offer telephone service at reasonable  
1580 rates without a subsidy then a phone company ought to be able  
1581 to do so as well. My own research suggests the commission  
1582 could save another \$6 billion to \$10 billion over the next  
1583 decade by simply eliminating subsidies to telephone companies  
1584 where unsubsidized cable companies are providing service in  
1585 the same areas. The commission also, in my view, needs to  
1586 take out a sharper pencil when it comes to new spending. Its  
1587 estimate of a \$24 billion availability gap is based on 2  
1588 assumptions that deserve a very hard look. First, this  
1589 figure apparently assumes that 4G wireless deployment will  
1590 not count as meeting broadband availability goals even though  
1591 the commission says it believes 4G systems will cover 5 of  
1592 the 7 million currently unserved housing units.

1593 Second, it also assumes that we will extend terrestrial  
1594 broadband capacity to the 250,000 most costly to serve  
1595 housing units in the U.S. for a total cost of \$14 billion.  
1596 That is an average of \$56,000 per housing unit. Is that  
1597 something we are really going to do? It may be more than the  
1598 houses are worth. When these factors are taken into account,

1599 it would appear that the broadband availability gap is far  
1600 smaller and the opportunity for savings from current USF  
1601 programs is far greater than the plan currently suggests.  
1602 And this suggests in turn, to go to my final slide, that the  
1603 plan's current objective of merely not increasing the USF  
1604 contribution factor, which as this slide shows, stands at an  
1605 all time high of 15.3 percent is not sufficiently ambitious.

1606 Let me close by complimenting the commission on its  
1607 commitment to a data-driven fact-based approach to policy  
1608 making and by urging it to continue that approach as it moves  
1609 forward. As a start, I know we are all anxiously awaiting  
1610 the release of the underlying analyses upon which the plan's  
1611 recommendations are based, and I gather some of those may  
1612 have been released at which point it may make sense to  
1613 revisit much of what is being discussed here. Mr. Chairman,  
1614 that completes my opening remarks. I look forward to your  
1615 questions.

1616 [The prepared statement of Mr. Eisenach follows:]

1617 \*\*\*\*\* INSERT 8 \*\*\*\*\*

|

1618           Mr. {Boucher.} Thank you very much, Mr. Eisenach, and  
1619 thanks to all of our witnesses for sharing their views with  
1620 us here this morning. I was very pleased to note that the  
1621 broadband plan endorses expanding the Community Connect  
1622 program. And I was glad to hear you testify about that, Mr.  
1623 Villano, during your presentation. Community Connect, I  
1624 think, has done a terrific job in making broadband available  
1625 in communities that for whatever reason the private sector  
1626 has found it to be uneconomic to serve. Often times these  
1627 are remote communities where the cost of providing the middle  
1628 mile connection in order to bring broadband into that  
1629 community is prohibitive for the private sector when  
1630 considering the number of subscribers who might be there to  
1631 pay for those very large costs.

1632           And Community Connect has filled that gap very well.  
1633 The problem is the program, as useful as it is, only had \$13  
1634 million to spend for the entire country in the course of the  
1635 last year. I have seen the benefits of that program in my  
1636 district. I was glad to hear Mr. Welch mention in his  
1637 opening statement that the program has been benefitted  
1638 Vermont, and I know it has benefitted other countries. The  
1639 broadband plan endorses it and says it ought to be expanded.  
1640 Can you suggest, Mr. Villano, ways in which that could be

1641 done, and specifically let me begin by asking you if there  
1642 are currently any statutory limitations on your ability to  
1643 expand it apart from just having adequate appropriations? In  
1644 other words, if more money were appropriated for this program  
1645 could you spend that or would you have to have some amendment  
1646 to your authorizing statute in order to enable you to do so?

1647 Mr. {Villano.} Thank you, Chairman Boucher. No, I  
1648 don't believe that there is any statutory impediments to  
1649 increasing the funding for the program. A lot of what we are  
1650 doing under the broadband initiative program through the  
1651 Recovery Act serves a lot of these same unserved communities,  
1652 so there isn't anything statutorily that would do that.

1653 Mr. {Boucher.} And do you have the capability should  
1654 additional appropriations be provided for Community Connect  
1655 to spend those funds effectively?

1656 Mr. {Villano.} I definitely believe so, that we have  
1657 that capability. We are delivering \$2-1/2 billion through  
1658 the Recovery Act right now. Once we get through those funds,  
1659 we would be more than able to handle an increase in any  
1660 appropriation under Community Connect.

1661 Mr. {Boucher.} Is the methodology of Community Connect  
1662 in any manner assisting you in expending your broadband funds  
1663 through the stimulus program?

1664 Mr. {Villano.} We have many tools in our toolbox. We

1665 have our existing broadband program, the Farm Bill program,  
1666 our infrastructure program, so certainly many of the lessons  
1667 that we learned in Community Connect were brought forward to  
1668 the broadband initiatives program. And if we do receive  
1669 increased appropriations for Community Connect, we would want  
1670 to look at some of the requirements that we do have for the  
1671 program.

1672         Mr. {Boucher.} Thank you very much. I appreciate that.  
1673 I think there is a general consensus on the part of most of  
1674 the witnesses today that the 95 percent estimate that the  
1675 broadband plan makes about the availability of broadband  
1676 nationwide is somewhat optimistic, and that number in all  
1677 likelihood is lower than that. What can we do to get better  
1678 data than the commission had when it made that projection?  
1679 Mr. Turner, you alluded to some possible approaches. Would  
1680 you like to expand on that?

1681         Mr. {Turner.} Certainly. Mr. Chairman, right now the  
1682 FCC collects very, very detailed subscribership data broken  
1683 down by speed tier, residential versus business from every  
1684 single broadband provider in the country and they collect  
1685 that twice a year, and they have been collecting such data,  
1686 similar data, for almost a decade now. But during that  
1687 process, they have failed to actually ask the service  
1688 providers please define your service territory areas and tell

1689 us what quality services are available where. And this is a  
1690 much easier effort than filing the subscribership data every  
1691 6 months because basically once they define their service  
1692 territory they only need to go back and change that when  
1693 their service territory changes.

1694 So in 2008 the FCC made a decision, a tentative  
1695 decision, to collect such data but that was never acted upon,  
1696 and it sat on the table for the past 2 years. And I think it  
1697 was rather unfortunate because had they acted then, we might  
1698 not have had to run the BTOP and BIP program in the dark the  
1699 way we did.

1700 Mr. {Boucher.} And so what immediate steps would you  
1701 recommend?

1702 Mr. {Turner.} I believe the record is quite complete on  
1703 this issue of availability data, and I think the commission  
1704 should immediately move to an order on the issue and reform  
1705 form 77 to require service providers to detail their  
1706 availability in service quality areas.

1707 Mr. {Boucher.} Does anyone else have comment on that?  
1708 Ms. Gillett, would you like to comment or would other  
1709 witnesses care to comment on what kinds of approaches we  
1710 might take in order to obtain better data on the extent of  
1711 real availability? Mr. Garcia.

1712 Mr. {Garcia.} Mr. Chairman, I think it is important to

1713 know if when we speak percentages we got to have a baseline  
1714 number to get that percentage so when we say 95 percent, 90  
1715 percent, the three A's that we all have to keep in mind is  
1716 accessibility, affordability, and availability. They could  
1717 really muddy up the statistics that we provide, but I think  
1718 if we don't know how many families, for instance, in our  
1719 rural area, if we don't know how many families could have  
1720 that service and we only take data on the one that has  
1721 service there is no way to gain a percentage and so the  
1722 percentage number of serviced areas would be fictitious. So  
1723 I think it is important to realize that the data gathering  
1724 concept ought to be kind of re-evaluated and look at how can  
1725 we best get the data.

1726 Mr. {Boucher.} All right. Thank you. Mr. Dankberg.

1727 Mr. {Dankberg.} Yes. The other thing I would add is  
1728 that one of the points in the FCC National Broadband Plan was  
1729 that the actual speeds that were delivered are in many cases  
1730 much lower than the advertised speeds, and in order to  
1731 collect this data and make it useful it seems like the size  
1732 of just the availability of broadband there ought to be some  
1733 definition of what that service actually is besides just the  
1734 advertised speed.

1735 Mr. {Boucher.} All right. Thank you very much. My  
1736 time has expired. The gentleman from Florida, Mr. Stearns,

1737 is recognized for 5 minutes.

1738           Mr. {Stearns.} Thank you very much, Mr. Chairman. Mr.  
1739 Dankberg, I just appreciate your Will Rogers quote. I am  
1740 reminded of another quote that Will Rogers said is be  
1741 thankful that we are not getting all of the government we are  
1742 paying for, which I think goes to my question to you. You  
1743 are saying today that you don't need a subsidy. You don't  
1744 think we need a subsidy to go ahead and push broadband.

1745           Mr. {Dankberg.} Yes. I think there has been a point  
1746 made when we talk about unserved and underserved, and there  
1747 is a lack of definition, and the thing that we would really  
1748 strongly advocate is that if there were a definition of what  
1749 broadband is that I believe that satellite could qualify and  
1750 that we made a business of providing that level of service,  
1751 whatever it is to be defined, without government subsidies,  
1752 yes.

1753           Mr. {Stearns.} Ms. Gillett, you seemed to hedge a  
1754 little bit on the figures here. The chairman mentioned that  
1755 he thought the figures were too optimistic and I think in  
1756 your opening statement you talked about that, in fact, the  
1757 figures could be wrong, and I think you went ahead and talked  
1758 about new figures which would indicate that it went from 7  
1759 million households being unserved to 12 million households.  
1760 Is that correct?

1761 Ms. {Gillett.} No, but almost. I wouldn't say the  
1762 figures are wrong. I would say the figures are all of  
1763 necessity estimates because we don't have perfect data about  
1764 any of this and that is one of our goals is to improve the  
1765 data about it.

1766 Mr. {Stearns.} In your opening statement, though, I  
1767 think you actually used some figures here that we wrote down.

1768 Ms. {Gillett.} Yes. The figures are that we approached  
1769 size in the gap from 2 directions. We tried 2 different  
1770 methods to reach both imperfect types of data. One of them  
1771 is a model and that tells us 7 million households--

1772 Mr. {Stearns.} Not so much the process, I am just  
1773 saying quoting your data I still get--

1774 Ms. {Gillett.} 14 to 24.

1775 Mr. {Stearns.} Yeah. I still get about 92 percent of  
1776 Americans--

1777 Ms. {Gillett.} That is right. That was what I said in  
1778 my testimony.

1779 Mr. {Stearns.} So the bottom line is that is a pretty  
1780 good figure still.

1781 Ms. {Gillett.} It still means 24 million people without  
1782 any broadband service.

1783 Mr. {Stearns.} But I think Mr. Dankberg is saying that  
1784 maybe some of these people are not in the rural areas, that

1785 they are in areas that are in urban areas, which is going to  
1786 what his original statement was from Will Rogers. Another  
1787 question for you is that--

1788 Ms. {Gillett.} I don't disagree with him on that.

1789 Mr. {Stearns.} Okay. In my opening statement, I talked  
1790 about in the year 2000 there were 8 million people that had  
1791 broadband and 10 years later there is 200 million. Isn't it  
1792 possible that, and this is a question, I am just going to go  
1793 down all, is it possible based upon those figures if we are  
1794 going from 8 to 200 million that without any government doing  
1795 anything in the next 10 years by the year 2020 that we will  
1796 have complete universal ubiquitous broadband? Do you think  
1797 that is true without any government? Just yes or no.

1798 Ms. {Gillett.} No, I don't.

1799 Mr. {Stearns.} Do you, Mr. Villano?

1800 Mr. {Villano.} No, I don't.

1801 Mr. {Stearns.} And Mr. Garcia?

1802 Mr. {Garcia.} No.

1803 Mr. {Turner.} No.

1804 Mr. {Dankberg.} I think it is possible, yes. I do  
1805 think it is possible.

1806 Mr. {Stearns.} Mr. Carroll?

1807 Mr. {Carroll.} No.

1808 Mr. {Stearns.} Mr. Eisenach?

1809 Mr. {Eisenach.} I think we are very close with being  
1810 here today so the answer is yes.

1811 Mr. {Stearns.} Okay. So you folks are saying that the  
1812 private market cannot go cover this ubiquitously without the  
1813 government stepping in doing something except for Mr.  
1814 Eisenach and Dankberg. Now I say to the rest of you, Mr.  
1815 Dankberg meets a payroll, started out in his garage and built  
1816 a business to \$1 billion, so I would say if I put you guys  
1817 all on a scale, I would say he would certainly have as much  
1818 credibility as all of you on the other side of the scale just  
1819 because he has done it, and I admire him for starting this  
1820 company and getting to a billion dollars. And he showed us  
1821 graphs that obviously there are some urban areas that don't  
1822 have it, and he is saying through his video that by and large  
1823 we can do it. So I think we all have to be careful to be  
1824 careful that perhaps the market can do it on its own.

1825 Mr. Dankberg, the 5 percent of homes that have no  
1826 broadband access are likely in parts of the country that are  
1827 high cost and low population density. So sometimes there is  
1828 little incentive for private companies to deploy there so I  
1829 am just being the devil's advocate with you here. Does this  
1830 mean that you could still get into those through satellite  
1831 broadband in these areas, notwithstanding that most  
1832 companies, telephone companies and cable companies won't go

1833 in because it is so rural?

1834 Mr. {Dankberg.} Yes, all the terrestrial technologies  
1835 depend on the distance between homes and some central anchor  
1836 point. The good thing about satellite communications is that  
1837 it is distance insensitive so the real issue is just can you  
1838 economically deliver enough bits, enough bandwidth, to those  
1839 people and that is really a technology and economics problem.

1840 Mr. {Stearns.} Okay. Ms. Gillett, just if you could  
1841 just answer yes or no. Does Section 230 make it the policy  
1842 of the United States to preserve the vibrant and competitive  
1843 free market that presently exists for the internet and other  
1844 interactive computer services unfettered by federal and state  
1845 regulations, isn't that true, Section 230?

1846 Ms. {Gillett.} I believe that is what the statute says,  
1847 yes.

1848 Mr. {Stearns.} And striking the FCC attempt to regulate  
1849 network management, didn't the D.C. court just explain that  
1850 the statements of congressional policy can help delineate the  
1851 contours of statutory authority? I think the answer is yes  
1852 to that. And so I just caution the FCC, and my point is to  
1853 go ahead and get involved with either Net Neutrality or  
1854 ancillary authority to augment it through regulation, and  
1855 that is my only point. Thank you, Mr. Chairman.

1856 Mr. {Boucher.} Thank you very much, Mr. Stearns. The

1857 gentleman from Massachusetts, Mr. Markey, is recognized for 5  
1858 minutes.

1859           Mr. {Markey.} Thank you, Mr. Chairman. And again let  
1860 me just restate that I do believe that the FCC has the  
1861 authority to be able to act notwithstanding the court  
1862 decision. Obviously from 1996 after the Telecommunications  
1863 Act passed all the way up until Chairman Powell, they  
1864 implemented all of the provisions that created this broadband  
1865 revolution. Remember, not one home in America had broadband  
1866 in February of 1996 when the Telecommunications Act was  
1867 signed. Not one home had it, so those changes in policy  
1868 obviously had to be implemented by the FCC in order to create  
1869 this new environment that makes all of this conversation even  
1870 possible. So I do believe that the FCC has this authority  
1871 and I ask them to explore the various means by which they can  
1872 reach the point where they can implement the recommendations  
1873 of the broadband plan that has been put together.

1874           What I would like to do is to focus on the Broadband  
1875 Data Improvement Act that we passed out of this committee  
1876 about 3 years ago. We based it upon Connect Kentucky. How  
1877 is that plan going? How is the data collection going under  
1878 that law, Ms. Gillett, and is it helpful to the FCC?

1879           Ms. {Gillett.} Extremely. That program is administered  
1880 by the NTIA, and they have given grants to all of the states

1881 at this point who are all collecting data according to a  
1882 protocol that the FCC consulted. We provided technical  
1883 consultation with the NTIA on that, and the data is coming in  
1884 and the maps will start being assembled next month.

1885 Mr. {Markey.} Now the information as you can see it at  
1886 this particular stage, does it indicate that there are gaps  
1887 across the country and do you think that this mapping is  
1888 going to help us to move beyond kind of anecdotal to actual  
1889 factual basis for making new policies here in the country?

1890 Ms. {Gillett.} I am totally certain that maps will be  
1891 helpful and the data will be helpful. It is just coming to  
1892 come in, so it is too early to say much about it, but I am  
1893 sure it will be very helpful.

1894 Mr. {Markey.} So we will wind up with much more  
1895 specificity than we have had in the past?

1896 Ms. {Gillett.} Yes.

1897 Mr. {Markey.} And we will be able to deal with what the  
1898 chairman is talking about in terms of finding out what  
1899 actually is going on in Virginia and not have it be based  
1900 upon a company just sending in information without it being  
1901 corroborated.

1902 Ms. {Gillett.} Well, there is an elaborate protocol for  
1903 collecting the information, some of it from industry, but  
1904 also one of the nice things about having states administer

1905 these grants is often there is a lot of local knowledge of  
1906 people of what is actually going on in their territory and we  
1907 are hopeful that that will help improve the quality of these  
1908 maps.

1909 Mr. {Markey.} Okay, great. Now let me ask you about  
1910 the E-Rate. Let me move over to that for a second. The FCC,  
1911 you know, has been looking at expanding E-Rate, looking at  
1912 after school hours as well, dealing with the reality of how  
1913 children actually live their lives. Could you talk a little  
1914 bit about that and the funding streams necessary to make sure  
1915 that we actually deal with the real world 2010 life of a  
1916 child at school in America?

1917 Ms. {Gillett.} Absolutely. One of the recommendations  
1918 for the plan was to look at learning as a continuous process  
1919 and not just confined to the school laws. In February the  
1920 commission passed a waiver order and a proposed permanent  
1921 rule change to allow community use of school E-Rate-funded  
1922 facilities after hours, so that is one example. Another is  
1923 that the plan discusses the use of wireless connectivity.  
1924 Kindle and other kinds of electronic books require wireless  
1925 connectivity. Students can take them home and that brings  
1926 them broadband to the home where they may not otherwise have  
1927 it, the many innovative uses we could make of the E-Rate  
1928 program, and we are starting to implement exactly those

1929 proposals at this point.

1930           Mr. {Markey.} Within a very small number of years half  
1931 the children in our country are going to be minorities and we  
1932 just have to deal with the fact that we need a broadband plan  
1933 for all those children to give them the portable skill set  
1934 that they are going to need in order to compete for jobs in  
1935 our economy as it unfolds, and unless we think of the E-Rate  
1936 as a flexible tool to deal with this ever expanding need for  
1937 kids to have the skill set then I think, you know, ultimately  
1938 it will come back to really haunt our economy, so I thank you  
1939 for that testimony. And, again, I just want to come back to  
1940 this point. We just can't have a national plan put together  
1941 alone by a small handful of communications colossi. We need  
1942 to ensure that we have a wide ranging entrepreneurial  
1943 Darwinian paranoia-inducing internet world out there,  
1944 broadband world, where everyone is given a shot here at  
1945 providing the leadership for our country, and if we step  
1946 aside and just allow a couple of companies to decide the pace  
1947 at which new gadgets, new applications, who is going to have  
1948 access to it, then we are going to be the losers because  
1949 China, India, and other countries will just blow right past  
1950 us with their plans to capture these sectors.

1951           We just should not be looking at the outsourcing of jobs  
1952 as each year goes by because the skills are here because the

1953 technologies haven't been developed here. That is our real  
1954 opportunity here. That is what the National Broadband Plan  
1955 gives us as a national challenge. When America has a plan,  
1956 America wins. When we don't, we lose. We have not had a  
1957 plan. We have dropped from 2nd to 15th in the world. We  
1958 just have to implement something and we cannot delay that  
1959 implementation. Thank you, Mr. Chairman.

1960 Mr. {Boucher.} Thank you very much, Mr. Markey. The  
1961 gentleman from Illinois, Mr. Shimkus, is recognized for 5  
1962 minutes.

1963 Mr. {Shimkus.} Thank you, Mr. Chairman. I really do  
1964 love this committee. We are behind Lichtenstein. I just--to  
1965 remind my people keep using that or Mordova or the  
1966 Netherlands. So I will be patient. Can't we get off this  
1967 comparing us to Lichtenstein just for a minute? What the FCC  
1968 did if you really want paranoid people competing to fill the  
1969 broadband space, you need to deregulate. What the FCC did  
1970 based upon the telecom bill was deregulate. They didn't re-  
1971 regulate. That is what the FCC is trying to do now. What  
1972 they want to do is since they failed in the courts now they  
1973 want to re-regulate. They want to go back to the dial up  
1974 phone so, anyway, you can see there is divergent opinions  
1975 here on the committee, and I love Mr. Markey, and I learned  
1976 all my interactions from him. I keep reminding him of that

1977 so when he disapproves of my line of questioning, I just  
1978 learned it from the best, so it is a tribute to him.

1979 Mr. Turner, do you believe the analysis in the broadband  
1980 plan that 95 percent of the country to have access to  
1981 broadband is flawed?

1982 Mr. {Turner.} If you define broadband as on or off  
1983 meaning something or nothing, I think it is close to being  
1984 correct. Ninety-two to 95 percent have something. If you  
1985 were talking about broadband at a level that they defined it  
1986 at 4 megabits per second, I think it is overstating the level  
1987 of availability.

1988 Mr. {Shimkus.} So you would say it is flawed in your  
1989 second definition?

1990 Mr. {Turner.} Yes, that is right.

1991 Mr. {Shimkus.} Do you believe the FCC currently lacks  
1992 adequate information on the actual state of broadband  
1993 availability?

1994 Mr. {Turner.} Yes, I do.

1995 Mr. {Shimkus.} Do you think the FCC should collect  
1996 better data on broadband deployment?

1997 Mr. {Turner.} Yes, sir.

1998 Mr. {Shimkus.} Then shouldn't we refrain from taking  
1999 action on the broadband plan until the FCC has that data?

2000 Mr. {Turner.} Well, sir, I think if you look at the

2001 calendar of items that will be proceeding the agency is  
2002 certainly one that is thorough but it doesn't move very  
2003 quickly, so I think we should, yes, immediately move to start  
2004 collecting that data as the proceedings and debate--

2005 Mr. {Shimkus.} The roll out of the money. I mean this  
2006 has been a constant debate that we have had since the  
2007 stimulus money saying don't roll out until you know the need.

2008 Mr. {Turner.} Well, I agree, and I think if you look at  
2009 the calendar they probably won't be spending a single dollar  
2010 of new USF money on the new broadband Connect America fund at  
2011 least until 2012.

2012 Mr. {Shimkus.} But that is USF money. There is  
2013 millions of dollars going out the door right now, billions.

2014 Mr. {Turner.} It is rather unfortunate that, as you  
2015 said earlier, the cart was put before the horse in that case.

2016 Mr. {Shimkus.} Thank you. Mr. Villano, you do permit  
2017 grant money to be used even if the majority of households  
2018 covered by a project in non-rural areas and even if they  
2019 already are served by one or more providers, is that correct?

2020 Mr. {Villano.} In our Community Connect program?

2021 Mr. {Shimkus.} Right.

2022 Mr. {Villano.} The area has to be totally rural and no  
2023 one in that community--

2024 Mr. {Shimkus.} Yeah, I know, only in the RUS program.

2025 We have several programs in the stimulus and I am talking  
2026 about era and that is kind of the connection--

2027 Mr. {Villano.} We require that the community be  
2028 unserved or underserved and we send our field staff out there  
2029 before any--

2030 Mr. {Shimkus.} Well, let us talk about Hays, Kansas for  
2031 a second. You understand that the Kansas broadband map shows  
2032 that all but 200 of the over 11,000 households in Hays  
2033 already have broadband from one or more providers, including  
2034 a small employee-owned business. Is that really a good use  
2035 of government funds?

2036 Mr. {Villano.} In Hays, Kansas, we did provide a BIP  
2037 award to a Kansas-based company--

2038 Mr. {Shimkus.} You can stop there. Mr. Garcia, is that  
2039 a good use of government funds if we are providing money to  
2040 providers in an area that there is already competing  
2041 broadband deployment when, you know, I like the way it was  
2042 put, 10 percent of the Indian tribal areas have access which  
2043 means 90 percent do not. Don't you think it would be a  
2044 better use of money to send that to areas where there is no  
2045 coverage?

2046 Mr. {Garcia.} I believe it would, but the complexities  
2047 of how these proposals are applied for is what drives the  
2048 funding and where the funding is--

2049 Mr. {Shimkus.} Well, I disagree that there are very  
2050 complex at all. I would say either a person has service or  
2051 they don't. Mr. Turner, you used the example of the grocery  
2052 store. Either they have a defined broadband speed and they  
2053 can get access to it or they don't and shouldn't we then  
2054 going back to the first question know who has service before  
2055 we send money to people who may have competing broadband  
2056 applicants?

2057 Mr. {Turner.} I think it is absolutely for the benefits  
2058 of efficiency and the benefits of maximizing the money, it is  
2059 important to have the right data. However, I understand what  
2060 this body was trying to do in the context of stimulus, and I  
2061 defer to the collaboration judgment of this body in making  
2062 that decision.

2063 Mr. {Shimkus.} My time has expired, and that is where  
2064 we disagree. I think we spent money and we put people who  
2065 are already providing broadband, we empower competitors to  
2066 compete against with government-subsidized dollars in the  
2067 broadband field, and that is a failure of what we have done.  
2068 And, Mr. Dankberg, I do support technologically neutral in  
2069 competition for services.

2070 Mr. {Boucher.} Thank you very much, Mr. Shimkus. The  
2071 gentle lady from the Virgin Islands, Ms. Christensen, is  
2072 recognized for 5 minutes.

2073 Ms. {Christensen.} Thank you, Mr. Chairman. I would  
2074 like to ask Ms. Gillett, having followed the Comcast case, do  
2075 you anticipate that the Comcast decision of April 6 would  
2076 affect your analysis of these universal service issues or the  
2077 recommendations in the National Broadband Plan in any way,  
2078 and if so, why and how?

2079 Ms. {Gillett.} Our general counsel is assessing the  
2080 impact of the Comcast decision on our authority to support  
2081 broadband by USF.

2082 Ms. {Christensen.} And, Mr. Villano, as you may have  
2083 gleaned from my opening statement the U.S. Virgin Islands has  
2084 not received grants under ARRA funds or broadband  
2085 infrastructure. One of the things that I am concerned about  
2086 is that the existing landline telephone service provider by  
2087 Telcos is considered the incumbent borrower and is a troubled  
2088 entity. To what extent, if any, do you think this would  
2089 affect other entities in the Virgin Islands from receiving  
2090 ARRA funding, the fact that the incumbent is a problem?

2091 Mr. {Villano.} We just closed the second NOPA and there  
2092 weren't any applications from the Virgin Islands for a second  
2093 round of funding. I don't know the reasons why but there  
2094 weren't any applications for a second round of funding.

2095 Ms. {Christensen.} That surprises me because I thought  
2096 we had applied. Okay. Well, also--

2097 Mr. {Villano.} They could have applied under the NTA  
2098 BTAL program for a middle mile project but there were no last  
2099 mile projects under the BIP program at RUS.

2100 Ms. {Christensen.} Just to continue on the concern that  
2101 Mr. Shimkus was raising. Is it true that RUS does allow  
2102 grant money to be used in non-rural areas regardless of  
2103 whether that area includes a majority of households covered  
2104 by a project and is already served by one of the major  
2105 providers, and, if so, is there an appeals process in place  
2106 that one of the companies that are already there--

2107 Mr. {Villano.} The award in question was made under our  
2108 first NOFA, and we have a definition of unserved and  
2109 underserved areas. In that particular case, 95 percent of  
2110 the service territory had not broadband service. It was just  
2111 5 percent of the geographic area that was covered by the loan  
2112 grant combination that the applicant was awarded did some  
2113 terrestrial based service.

2114 Ms. {Christensen.} Okay. So is there a process for  
2115 appealing?

2116 Mr. {Villano.} No, there is no process for appeal.

2117 Ms. {Christensen.} I guess I will ask you also again,  
2118 Mr. Villano, will NTIA and RUS collaborate on broadband  
2119 infrastructure awards and what effect will that have on  
2120 applicants who have submitted multiple applications?

2121 Mr. {Villano.} Definitely, we will continue our  
2122 collaboration. We have separate NOFAs at this time. I can  
2123 tell you we are in constant communication and coordinating  
2124 our efforts. Under the second NOFAs, RUS is focusing on last  
2125 mile and NTIA is focusing on middle mile, but we are working  
2126 very closely together to make sure that we get the best bang  
2127 for our buck.

2128 Ms. {Christensen.} So you are saying then that it won't  
2129 have any effect on applicants that have submitted multiple  
2130 applications. It will be coordinated in some way?

2131 Mr. {Villano.} Under our first NOFA, we allowed for  
2132 joint applications and it did complicate the process for some  
2133 applicants. That is why we went with separate NOFAs and  
2134 separate application processes go round, so we will look to  
2135 make sure that there aren't any overlaps. If they are  
2136 proposing to find a project and we are in a particular area,  
2137 we want to make sure that we get the money to the most areas.

2138 Ms. {Christensen.} Thank you, Mr. Chairman. I yield  
2139 back.

2140 Mr. {Boucher.} Thank you, Ms. Christensen. The  
2141 gentleman, Mr. Buyer, is not here. The gentleman from  
2142 Alabama, Mr. Griffith, is recognized for 5 minutes.

2143 Mr. {Griffith.} Thank you, Mr. Chairman. The FCC, as  
2144 it rolls out the National Broadband Plan in an attempt to

2145 deploy to the remaining 5 percent, are we concerned about  
2146 adoption or how we are going to measure adoption rates? Is  
2147 that a problem or is that a concern that we have?

2148 Ms. {Gillett.} Adoption is very important. It is a  
2149 very central part of the plan as to take steps that increase  
2150 the adoption of broadband. I would say that our data on  
2151 adoption is actually better than our data on availability  
2152 because that is what we collect is subscribership data, and  
2153 we are now publishing ranges of adoption data in our semi-  
2154 annual reports.

2155 Mr. {Griffith.} Thank you. One other question. As we  
2156 look at the FCC's recommendation for deployment for national  
2157 broadband, has the exemption for the electric cooperatives  
2158 from FCC pole attachment regulations been considered?

2159 Ms. {Gillett.} I am sorry. Was it in the National  
2160 Broadband Plan, was that issue based?

2161 Mr. {Griffith.} Right.

2162 Ms. {Gillett.} Yes, it was raised in the National  
2163 Broadband Plan that poles are an essential--access to poles  
2164 is essential for deploying broadband and there isn't a  
2165 uniform national framework, and that is a congressional  
2166 question for Congress to consider.

2167 Mr. {Griffith.} Are we suggesting that we will continue  
2168 with that exemption for the--

2169 Ms. {Gillett.} It is currently part of the statute so  
2170 Section 224, that is how it is set up that there are separate  
2171 frameworks for how those are regulated, and that would be up  
2172 to Congress to decide if that is the right framework to  
2173 continue or not.

2174 Mr. {Griffith.} So that is really a question for me.  
2175 Thank you very much. Okay. Mr. Villano, the second round of  
2176 broadband initiative program allocates \$100 million to  
2177 satellite projects to provide broadband services to unserved  
2178 areas. Most U.S. satellites have a national footprint. How  
2179 is RUS determining what is an unserved satellite area?

2180 Mr. {Villano.} We will be posting maps of the service  
2181 areas that we fund and NTIA funds under the broadband  
2182 initiative and the BTOP program, and the satellite component,  
2183 we have an RFP that will be published later this month that  
2184 will make that money available. We are dividing the country  
2185 into 8 regions and we will let competition dictate how we  
2186 award those funds, but those would be areas that have no  
2187 broadband service and not be able to receiver service under  
2188 the Recovery Act.

2189 Mr. {Griffith.} In light of some of the data or some of  
2190 the comments that we have heard today about what we believe  
2191 is true and what is actually true in unserved areas are we  
2192 reviewing what we think is true and what is actually true?

2193 Mr. {Villano.} I can tell you for every award that we  
2194 have made under our broadband initiative program, we send  
2195 actual RUS staff out to the field to verify the information  
2196 that was provided by the applicant, and we also post all the  
2197 maps of the proposed service territories so incumbent service  
2198 providers can comment on that whether they do provide  
2199 service. We look at the comments. We look at the  
2200 application. We send feet on the ground to ensure that those  
2201 areas meet the definitions of the NOFA.

2202 Mr. {Griffith.} Okay. Thank you. Mr. Dankberg, I  
2203 understand that satellite broadband services offer an  
2204 opportunity to reach U.S. consumers in otherwise unserved  
2205 areas. When the FCC imposes conditions on license transfer  
2206 applications that limit the business models of satellite  
2207 operators, does that make it more difficult or less difficult  
2208 to raise money to continue satellite services?

2209 Mr. {Dankberg.} The only thing I can talk about is our  
2210 experience, and we have had fantastic support from the FCC in  
2211 approving our licenses and being innovative in spectrum and  
2212 in assuming and approving a transfer of licenses when  
2213 required so it has not really been a concern. The FCC from  
2214 our perspective has been very supportive, sir.

2215 Mr. {Griffith.} Thank you, Mr. Chairman.

2216 Mr. {Boucher.} Thank you, Mr. Griffith. The gentleman

2217 from Pennsylvania, Mr. Doyle, is recognized for 7 minutes.

2218           Mr. {Doyle.} Thank you, Mr. Chairman. The residents  
2219 and small businesses in my district in Pittsburgh have  
2220 contributed to the tens of billions of dollars worth of  
2221 subsidies to support telephone service in rural areas and for  
2222 low income people. In 2010 these dollars are still being  
2223 used for telephones, not broadband. Now the FCC has outlined  
2224 a Universal Service Fund reform in the National Broadband  
2225 Plan, and I would like to just start with Mr. Garcia and work  
2226 down through the end of the panel. Number 1, do you support  
2227 that plan, what you like about it, and how you would improve  
2228 it, and if each could just do that briefly, I would  
2229 appreciate it. Mr. Garcia.

2230           Mr. {Garcia.} We support the fact that the universal  
2231 service has to be reformed but we also caution that the  
2232 services that are part of that plan right now not be  
2233 restricted or diminished but there has got to be more  
2234 accountability in terms of why--that fund has been around for  
2235 a long time and so why do we still have a lot of areas that  
2236 have not benefitted from that very fact, and so we need to  
2237 employ that a little bit harder and be more deliberate in how  
2238 that service funds are used for that, so we don't want to  
2239 diminish what is there, but in addition to what we just  
2240 testified upon, we need to build on those opportunities so we

2241 need to keep that though.

2242 Mr. {Doyle.} Thank you. Mr. Turner.

2243 Mr. {Turner.} We are generally supportive of the  
2244 framework certainly of a transition. We think it is time to  
2245 modernize the fund. We do have some concerns about what is  
2246 going to happen during the transition, particularly issues  
2247 that Dr. Eisenach has raised that we do have areas where  
2248 there are unsubsidized providers, either cable or wireless  
2249 companies that are competing against the subsidized telephone  
2250 provider, and that may not be the best use for our resources.  
2251 We are also concerned that even some subsidized providers  
2252 themselves where no other un-subsidized providers exist have  
2253 already deployed broadband and could be self-sustaining if  
2254 all their revenue streams are taken into account but today  
2255 only the regulated streams are taken into account while the  
2256 recovery and the cost of their full infrastructure, so we are  
2257 concerned that the FCC should address some of those as we do  
2258 the transition.

2259 Mr. {Doyle.} Thanks. Mr. Dankberg.

2260 Mr. {Dankberg.} I think the major issue that we have is  
2261 the artifacts of where unserved people are in a broadband  
2262 environment is much different than where unserved people are  
2263 in a voice environment. We have networks that were built for  
2264 voice. You can support long loop lines. That leaves by

2265 definition, that is what you seen on the map, people who are  
2266 well served by voice that are not served by broadband. And  
2267 so the notion that you can segregate the areas of served and  
2268 unserved people like you can with voice, I think is not a  
2269 good starting point for building policy.

2270 Mr. {Doyle.} Mr. Carroll?

2271 Mr. {Carroll.} The American Public Power Association  
2272 doesn't have a position on that but from my position at  
2273 Hopkinsville Electric System, I think broadband could be  
2274 expanded by using those funds. I think we need to ensure  
2275 that the different entities out there that provide services  
2276 have access to those funds universally and not just the  
2277 telephone company.

2278 Mr. {Doyle.} Dr. Eisenach?

2279 Mr. {Eisenach.} I would just say 2 things. I think the  
2280 plan doesn't go far enough fast enough as described. Talking  
2281 about saving \$15 billion out of 45 or so over the course of a  
2282 decade implies that \$30 billion during that period of time is  
2283 still going to get spent on what we are spending money on  
2284 now. My second point would be I think the commission has  
2285 known for a decade and so has most people in Congress that  
2286 this is a failed program. This docket was initiated--the  
2287 docket number under which all this is considered is 9645. It  
2288 was opened in 1996 and has been going on since with 250,000

2289 or so final comments. The commission has tried heroically  
2290 half a dozen times at least to reform it and it has failed.  
2291 So my point to this committee would be if you want that money  
2292 going to broadband you ought to keep a very close eye on the  
2293 commission's success or failure in implementing these reforms  
2294 as proposed.

2295 Mr. {Doyle.} Thank you. Ms. Gillett, I have heard some  
2296 concerns that the Universal Service Fund reform would mean  
2297 that some people's phones would be turned off. Is that the  
2298 case, and if it is not the case would you state why it is or  
2299 why it isn't?

2300 Ms. {Gillett.} It is not the case and it would not be  
2301 the case because the plan's recommendation is that the  
2302 funding should be shifted from voice only networks to  
2303 networks that provide both broadband and high quality voice.

2304 Mr. {Doyle.} Okay. I think that is important to get  
2305 out. Mr. Dankberg, in light of what you said to Mr. Stearns,  
2306 Mr. Villano from the Rural Utility Service has set aside \$100  
2307 million for satellite broadband. I assume your company won't  
2308 be taking a cent of that money. You are not interested in  
2309 any of that money?

2310 Mr. {Dankberg.} If there is money to be made in  
2311 subsidies then we will use it. I think we will use it far  
2312 more efficiently.

2313 Mr. {Doyle.} Okay. So you would take some government  
2314 assistance? It sounded like you told Mr. Stearns that you  
2315 weren't interested in that and you didn't need it.

2316 Mr. {Dankberg.} I am just from a free enterprise  
2317 perspective if I am competing with other carriers who are  
2318 subsidized, am I supposed to compete on an unsubsidized basis  
2319 with companies that are given thousands of dollars per home  
2320 served? I don't know how to respond to that.

2321 Mr. {Doyle.} I am not asking you to. I just thought  
2322 that is what you told Mr. Stearns and I just wanted to get  
2323 clarification on it that if there is money there you will  
2324 take it. And maybe just finally since I still have a minute  
2325 and 30 seconds in the remaining time, you heard what Ms.  
2326 Gillett said about whether or not this Universal Service Fund  
2327 reform would result in people losing their telephones or not,  
2328 does anybody have any further comments on that, and generally  
2329 I take it you all support reform. You just think it needs to  
2330 go a little quicker and a little further than it is going  
2331 right now. Is that accurate? Okay. All right. Well, I  
2332 think I have asked everything I want to, Mr. Chairman.  
2333 Thanks.

2334 Mr. {Boucher.} Thank you very much, Mr. Doyle. The  
2335 gentle lady from Tennessee, Ms. Blackburn, is recognized for  
2336 5 minutes.

2337 Ms. {Blackburn.} Thank you, Mr. Chairman. I want to  
2338 thank all of you for your patience with us today. Mr.  
2339 Turner, I want to be sure that I understood you to say that  
2340 you did think it was unfortunate that we had put the cart  
2341 before the horse when it came to not doing the mapping and  
2342 not doing our definitions. Did I understand that right? Yes  
2343 or no is sufficient.

2344 Mr. {Turner.} Yes.

2345 Ms. {Blackburn.} Okay. Thank you for that. And, Mr.  
2346 Garcia, I appreciate that you appreciate the fact that the  
2347 fund has been around for a long time but the money doesn't  
2348 seem to get out very quickly. I think that is the  
2349 frustration whenever you see government step in to what the  
2350 private sector has done. And, Mr. Chairman, I want to ask  
2351 unanimous consent to enter for the record and editorial from  
2352 the Washington Post that indicates that heavy regulation is  
2353 unnecessary in light of the broadband plan's analysis that 95  
2354 percent of the country has access to broadband, and we have  
2355 gone from 8 million broadband subscribers to 200 million in  
2356 the last 10 years.

2357 Mr. {Boucher.} Without objection, that will be made a  
2358 part of the record.

2359 [The information follows:]

2360 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
2361 Ms. {Blackburn.} Thank you, Mr. Chairman. Dr.  
2362 Eisenach, my question is to you. Doesn't this suggest that  
2363 our deregulatory approach is working and that we should focus  
2364 any government effort just on the 5 percent or the 7 million  
2365 homes that are in an area that does not receive the private  
2366 sector access to the broadband services?

2367 Mr. {Eisenach.} Absolutely.

2368 Ms. {Blackburn.} And I appreciate your answer on that.  
2369 I also had another question I wanted to ask you. When we  
2370 look at the issues of Network Neutrality, unbundling,  
2371 compelled wholesaling, rate regulation, is there any economic  
2372 validity to the arguments that these issues, Network  
2373 Neutrality, unbundling, compelled wholesaling, would  
2374 encourage broadband deployment to the last mile and wouldn't  
2375 regulating broadband just chill the investment innovation  
2376 that we have seen over the past 10 years that has led to 200  
2377 million homes being connected?

2378 Mr. {Eisenach.} In 2 respects, and the first respect is  
2379 a matter of economics. These issues have been very fully  
2380 studied. Last week, I was one of 21 economists, very broad-  
2381 based group, former CAB chairman Alfred Kahn among us, filing  
2382 comments with the Federal Communications Commission  
2383 specifically on the plan of the Net Neutrality and PRM, and

2384 our conclusion, simply put, is that the economic evidence  
2385 simply does not support those proposed rules and indeed that  
2386 those proposed rules, if adopted, would reduce innovation,  
2387 reduce investment, reduce deployment in the way that we are  
2388 talking about here today. The same set of data, I think, or  
2389 the same economic facts are there on the issue of unbundling,  
2390 and, indeed, there is a lot of evidence in the FCC's National  
2391 Broadband Plan--

2392 Ms. {Blackburn.} If I can ask one additional question.  
2393 I guess the same would apply to the reclassification?

2394 Mr. {Eisenach.} Well, absolutely, because the  
2395 reclassification is simply a precursor and would be seen in  
2396 the marketplace as a precursor to imposing this sort of  
2397 heavy-handed regulation. The second issue is the commission  
2398 has laid down a very ambitious agenda. As I implied earlier,  
2399 it will be interesting to see how well it does keeping to the  
2400 schedule that it has laid out. If it were to embark on these  
2401 major new rulemakings, already in the middle of one of them  
2402 on Net Neutrality, on reclassification, unbundling, and so  
2403 forth, I simply question whether or not universal service  
2404 won't once again as it has for 15 years fall to the back of  
2405 the pack in terms of priority, and we will end up sitting  
2406 here a decade from now saying why are we still spending now  
2407 \$8 billion of high cost subsidized telephone service.

2408 Ms. {Blackburn.} Thank you. I appreciate that. Ms.  
2409 Gillett, I have got just a few minutes left, but I want to go  
2410 back to something. Mr. Markey said when we have a plan, we  
2411 win, when we don't, we lose. And we all believe that, but we  
2412 think we got the cart before the horse on this one. It looks  
2413 like there are many on the panel that agree with that. And  
2414 so we do have concerns about how you all will go about as you  
2415 assess the data that you say is now beginning to come in, and  
2416 you are saying you think you are going to have sufficient  
2417 data to address what you term the broadband gap and by early  
2418 next year. So as you do this, how are you going to look at  
2419 that and address this gap but make certain that existing  
2420 consumers are not going to see their rates go up, that they  
2421 are not going to see additional taxes, additional fees, that  
2422 they are not going to see their rates go up because one of  
2423 the concerns we hear is that they are concerned that if you  
2424 all get involved in this, then consumers who like the plan  
2425 they have got right now, they are going to see their rates  
2426 elevated. So what is your plan to address that?

2427 Ms. {Gillett.} A couple of things. First of all, the  
2428 premise of the plan is that the universal service stays at  
2429 the size it is so the burden would not go up on consumers.  
2430 And, secondly, about the data point, between the BDIA map and  
2431 the better data that the FCC is proposing to collect by the

2432 time, as Mr. Turner says, by the time we are able to  
2433 implement these--I just received word that the first  
2434 proceeding on the universal service reform was just adopted  
2435 by the commission this morning, so we are on our way doing  
2436 that, but by the time we get new rules in place and new money  
2437 flowing the new data will be in and available for use.

2438 Ms. {Blackburn.} Okay. I am out of time. Yield back.

2439 Mr. {Boucher.} Thank you, Ms. Blackburn. The gentleman  
2440 from Illinois, Mr. Rush, is recognized for 5 minutes.

2441 Mr. {Rush.} Thank you, Mr. Chairman. My question is  
2442 for Mr. Villano. Mr. Villano, last year Senator Menendez and  
2443 I sent a letter to your agency and also to the NTIA  
2444 expressing concerns about the number and the amount of  
2445 stimulus grants that have been awarded to small and minority  
2446 applicants in your initial round of decision. I would like  
2447 to know what you have done to improve those numbers. What  
2448 percentage of total awards to date have been made to these  
2449 types of applicants, and are there any additional  
2450 improvements on the table in terms of increasing the number  
2451 of approved applicants?

2452 Mr. {Villano.} Thank you for the question. We did take  
2453 those concerns very seriously when we developed our second  
2454 NOFA. I think if you read the second NOFA, you will see that  
2455 we tripled the number of points that we afford to socially

2456 disadvantaged businesses and their applications. We also  
2457 award non-socially disadvantaged businesses extra points if  
2458 they provide lower cost service to socially disadvantaged  
2459 businesses in the service areas. Do we publish the NOFAs?  
2460 We did 10 workshops. We had planned to do 10 workshops.  
2461 One of them was shut down because of the snowstorms we had  
2462 here in Washington. But we did 9 outreach and training  
2463 sessions throughout the country, and at all those sessions we  
2464 had special outreach sessions for minority and native  
2465 applicants for the program. In NOFA 2, about 8 percent of  
2466 the applications that we received under the BIP program are  
2467 from socially disadvantaged businesses.

2468 Mr. {Rush.} Can you quantify the number of grants?

2469 Mr. {Villano.} Under our second NOFA which just closed  
2470 on--

2471 Mr. {Rush.} The first one and the second one.

2472 Mr. {Villano.} Under our first NOFA, we made 68 awards  
2473 and one of those awards was to a socially disadvantaged  
2474 business that was Revada Sea Lion up in Alaska. Under NOFA  
2475 2, we have 61 applications from socially disadvantaged  
2476 businesses.

2477 Mr. {Rush.} Those have been approved. All right. And  
2478 are you satisfied with the level of applicants and the  
2479 process and the level of outcome in terms of your

2480 productivity?

2481 Mr. {Villano.} We are pleased with the results under  
2482 NOFA 2. We have a total of 776 applications for \$11 billion  
2483 in funding. We have a little over \$2 billion available this  
2484 round, and we are in the process of reviewing those  
2485 applications and hope to have awards out this summer.

2486 Mr. {Rush.} Thank you, Mr. Chairman. Yield back.

2487 Mr. {Boucher.} Thank you very much, Mr. Rush. The  
2488 gentleman from Washington State, Mr. Inslee, is recognized  
2489 for 5 minutes.

2490 Mr. {Inslee.} Thank you. Ms. Gillett, could you  
2491 respond to Mr. Garcia's suggestions about improving the  
2492 relationship, the government relationship, to tribes in this  
2493 context and how that might work and how we can make it work?

2494 Ms. {Gillett.} Certainly. The plan, as you know, makes  
2495 many recommendations, including a number that Mr. Garcia  
2496 spoke about, including, for example, the Office of Tribal  
2497 Affairs at the FCC, a seat on the USAC board, and so forth,  
2498 and we look forward to implementing those and would be happy  
2499 to--our Consumer and Governmental Affairs Bureau will be  
2500 implementing those recommendations, and I would be happy to  
2501 have them get back to you with further information about how  
2502 that is proceeding. And we also recently made public our  
2503 implementation schedule, which has the dates and quarters of

2504 addressing a number of those recommendations on it.

2505 Mr. {Inslee.} Well, that is encouraging, and if we can  
2506 help you at all, let us know. We appreciate that.

2507 Ms. {Gillett.} Thank you.

2508 Mr. {Inslee.} We think that is very important. Mr.  
2509 Turner, I wanted to ask you about FCC authority in light of  
2510 this case that came down. The FCC has identified several  
2511 areas that could be impacted of this that people may not  
2512 think of including cyber security efforts, universal service  
2513 reform, access for disabled Americans, and consumer privacy.  
2514 There is a whole list of things that could be affected. If  
2515 the FCC does nothing in response to this decision, what will  
2516 happen to the FCC's ability to advance those policy goals?

2517 Mr. {Turner.} It is casting serious doubt. I think if  
2518 you look at the statute and look at how the statute was  
2519 developed, Congress at the time clearly treated and wanted to  
2520 treat the wires that bring us these services differently from  
2521 the services themselves, and this was the heart of 230B,  
2522 hands-off approach to the internet services, but a light  
2523 regulatory touch where needed on the wires. And I have a lot  
2524 of trust in the deliberative wisdom of Congress on the shelf  
2525 life of these laws because they are based on principles like  
2526 universal service, nondiscrimination interconnection,  
2527 competition, and reasoned deregulation. The path Congress

2528 gave the FCC for the regulation was Section 10. Chairman  
2529 Powell chose to do a different path through the re-definition  
2530 process, and I think, you know, in the words of Justice  
2531 Scalia, this was sort of a Mobius Strip type of reasoning  
2532 that ignored the statute.

2533 I think Chairman Powell thought he could stand up all  
2534 the other principles of interconnection, universal service,  
2535 non-discrimination, disability access, all of that on this  
2536 ancillary authority theory, and the court case has shown that  
2537 that is not going to be able to be the case, so the move  
2538 towards reclassification doesn't have to be seen as a radical  
2539 move. It simply will be a move that puts the FCC's  
2540 regulatory framework back in harmony with the law, and I  
2541 guarantee you it will come with some type of heavy  
2542 forbearance on all the rules that are intended to apply to  
2543 monopoly telephone networks. They certainly will not be  
2544 applied to broadband networks.

2545 And we must remember that today the enterprise broadband  
2546 market that serves the biggest businesses in the country is  
2547 currently regulated under Title 2 and that is one of the most  
2548 competitive markets and they are not screaming for  
2549 deregulation and there is heavy investment going on there.

2550 Mr. {Eisenach.} If I could just jump in very quickly  
2551 and say at least with respect to the Net Neutrality

2552 regulations that are proposed the non-discrimination  
2553 provisions are not less restrictive on broadband than what  
2554 was put in place on telephone networks in the past. They are  
2555 more restrictive. The non-discrimination provisions that  
2556 were in place on telephone networks in the past permitted  
2557 just as reasonable discrimination. The proposed Net  
2558 Neutrality regulations explicitly reject that approach and  
2559 say there will be no discrimination of any kind. To suggest  
2560 that the private sector could have any confidence that the  
2561 regulations that would be imposed under a Title 2  
2562 classification are less restrictive than what had been  
2563 imposed in the past is just violated by the proposed rules we  
2564 have in front of us today.

2565       Mr. {Inslee.} Well, I just point out that I think it is  
2566 even a dicier gamble to have any confidence that if we don't  
2567 do something about Net Neutrality there won't be marketplace  
2568 efforts to restrict access to content, and I think it is  
2569 clear we need action on here. And I appreciate Mr. Turner's  
2570 views in this regard. Thank you.

2571       Mr. {Boucher.} Thank you, Mr. Inslee. The gentleman  
2572 from Ohio, Mr. Space, is recognized for 5 minutes.

2573       Mr. {Space.} Thank you, Mr. Chairman. This map is a  
2574 map of the State of Ohio, and, as you can see, in the  
2575 southwestern corner, which is the green area which would

2576 indicate the unserved area pursuant to the work done by  
2577 Connect Ohio, which is modeled on Connect Kentucky, and I  
2578 have a lot of faith in the work that they have done in trying  
2579 to decide or determine just where access to broadband exists  
2580 and where it doesn't exist. And the effect that that is  
2581 having on the people of southeastern Ohio is significant. If  
2582 you look at the unemployment rates in these counties, 5 of  
2583 them are above 15 percent, 1 above 18 percent right now.  
2584 That represents the unemployment rate doesn't even factor in  
2585 the tens of thousands of people that are fully employed but  
2586 are working in poverty.

2587         This is a significant problem that hampers economic  
2588 development. It limits our already limited access to health  
2589 care, education. We see the role of broadband and its  
2590 integration in health care delivery, educational delivery  
2591 systems as in its infancy right now going nowhere but up, and  
2592 it longer it takes for us to obtain this access the farther  
2593 behind we are going to fall. That also happens to correspond  
2594 almost identically with my congressional district. And we  
2595 are working hard to see what we can do to provide access to  
2596 this very important technology. And one of the questions I  
2597 have for the panel, and I am going to ask a number of you  
2598 specifically to just give, if you can, because our time is  
2599 limited, a 2 or 3-sentence response to this question. Ms.

2600 Gillett, I am going to ask you first. What is it that we can  
2601 do, Congress can do, to facilitate extension of that last  
2602 mile to maybe it is 5 percent of the population, maybe 7  
2603 percent, I don't know, but I know that percentage is a lot  
2604 bigger in areas like this, what can we do as a Congress to  
2605 facilitate the extension of that last mile to those people  
2606 who don't have any access right now?

2607 Ms. {Gillett.} I would suggest 3 things. First, would  
2608 be to work with us on the universal service reform so that we  
2609 can target the funds to the places that are unserved. It is  
2610 a complicated system, as Mr. Eisenach mentioned. Reform has  
2611 been tried many times. There is lots of people in the  
2612 current system so it is complicated, and we would appreciate  
2613 your support with that. Second is we propose to do it in the  
2614 plan with no additional funds but the plan does also pose an  
2615 option for Congress to consider an appropriation which could  
2616 help make it go faster. And the third thing is I think your  
2617 point about you got the data, you know where these places  
2618 are. That is great. The cooperation of industry in making  
2619 sure we have accurate availability data is key.

2620 Mr. {Space.} Thank you. Mr. Villano.

2621 Mr. {Villano.} Certainly. I would suggest that anybody  
2622 that you have that is looking for service in those areas  
2623 would contact their field representative to determine if they

2624 could apply for one of our programs. Under the broadband  
2625 initiative program we made 4 awards in the State of Ohio  
2626 under NOFA 1. Under NOFA 2, we have 21 pending applications  
2627 for \$193 million. I hope that some of those are in your  
2628 district.

2629 Mr. {Space.} They are.

2630 Mr. {Villano.} And that they will filter their way up  
2631 to the top. But it would be most important for applicants to  
2632 contact RUS and the Rural Development state office to see  
2633 which programs that we have that may be of assistance to  
2634 those communities.

2635 Mr. {Space.} Thank you. Mr. Eisenach, I want to ask  
2636 you for maybe your perspective on how we bridge that last  
2637 mile in places like this.

2638 Mr. {Eisenach.} First of all, I think doing something  
2639 is important. I don't think it is going to entirely solve  
2640 itself. I do think that satellite service is my earlier  
2641 answer to the question where will we be in 10 years. I do  
2642 think that satellite for a lot of purposes is going to solve  
2643 a lot of people's problems. I don't think it is going to  
2644 solve the high capacity issue in terms of what you want in a  
2645 hospital or what you want in a government office and areas  
2646 like that. What works? What I have seen work is what is  
2647 working in Virginia, a state where I have spent a lot of time

2648 looking closely and I know is working in other places around  
2649 the country, and that is looking at local solutions. So what  
2650 we have in the State of Virginia, something called the Mid-  
2651 Atlantic Broadband Council, I have been involved with that,  
2652 the Southwestern Virginia Technology Council. The chairman  
2653 has been intensely involved with that.

2654         And what those local groups are able to go is pull  
2655 together businesses, government, public non-governmental  
2656 organizations, and solve problems. These are not problems of  
2657 rocket science. These are problems of digging a ditch and  
2658 putting some fiber in or putting up a tower, and often those  
2659 problems just take the business community getting together  
2660 with funding, with funding, but often it is a question of  
2661 people getting together and saying we need to put a tower up  
2662 here. Let us get it done.

2663         Mr. {Space.} Sure. And the problem, however, is in  
2664 areas like this the local community governments and many of  
2665 the businesses are struggling to survive, and they don't have  
2666 the means.

2667         Mr. {Eisenach.} I am for funding those efforts. Just  
2668 to be clear, those efforts in Virginia have been funded by a  
2669 tobacco fund, and I think the RUS has been active in funding  
2670 those efforts. Those are good efforts. Those efforts ought  
2671 to be funded in my view.

2672 Mr. {Space.} I know I am over time, but the chairman is  
2673 busy and not paying attention to my time. Mr. Chairman, may  
2674 I have just 1 more minute?

2675 Mr. {Boucher.} Yes, sir. Go ahead, Mr. Space.

2676 Mr. {Space.} Mr. Dankberg, the issue has to do with  
2677 satellite availability in areas like this, and the problem as  
2678 I see that is the capacity in the cost and the quality don't-  
2679 -you testified that you feel they are comparable, but as we  
2680 move forward it is all about speed and it is all about  
2681 quality and capacity, and I question whether or not the  
2682 technology is there for satellite.

2683 Mr. {Dankberg.} I understand that. I am an engineer.  
2684 We just designed a new satellite that has 20 times the  
2685 capacity of the best satellite ever. I think it is a  
2686 question of economics. And what we would say just set us a  
2687 target. If you set a target of 5 megabits, 10 megabits, we  
2688 will figure out what the economics are. We can deliver 5,  
2689 10, 15, 20. Set a number that you would like and then have a  
2690 competition, and if we can't meet that number we are happy to  
2691 see it go somewhere else.

2692 Mr. {Space.} Thank you, Mr. Dankberg. My time has  
2693 expired.

2694 Mr. {Boucher.} Mr. Space, if you would yield to me just  
2695 a second the balance of your time which will be extended as

2696 much as is necessary. I wonder, Mr. Dankberg, if you would  
2697 make a project of what the retail cost per customer is going  
2698 to be for that new high capacity satellite that you intend to  
2699 launch.

2700 Mr. {Dankberg.} I think one of the main points that was  
2701 made was the price of broadband coming down. Our new  
2702 satellite, we will offer--we probably are going to offer  
2703 plans just like we do now, which are \$50, \$60 or \$80. We  
2704 will increase the speeds that we offer by a factor of 4, and  
2705 the amount of congestion, which is really the reason that  
2706 people perceive delay, will go enormously.

2707 Mr. {Boucher.} So if you can afford \$50, \$60 or \$80,  
2708 that is fine. If you are among that category of individuals  
2709 who can't, it becomes a problem.

2710 Mr. {Dankberg.} What we would say is we are completely  
2711 fine with the idea of using subsidies to reduce prices for  
2712 people who can't afford it. We are absolutely okay with  
2713 that. That can absolutely apply to satellite, and we  
2714 proposed to the RUS a satellite system that would make life  
2715 line broadband service available at \$8 per month wholesale at  
2716 768 kilobits a second. All we want to do is have an  
2717 opportunity to compete at whatever speed, and if subsidies  
2718 are used, we just want to compete to provide service to all  
2719 of Ohio for the same price that might serve one small village

2720 at whatever level of service is specified.

2721 Mr. {Boucher.} Okay. Thank you very much, Mr.

2722 Dankberg. Mr. Stearns, I will just recognize you. Mr.

2723 Space's time has expired.

2724 Mr. {Stearns.} Thank you, Mr. Chairman. I just want to

2725 ask, what speed would that be? You say 4 times. What would

2726 that speed be?

2727 Mr. {Dankberg.} The speeds for our new satellite, we

2728 expect to offer 2, 4, and 8 megabits per second as the speeds

2729 for our service at those retail prices. Our wholesale prices

2730 are about half of that. The retailers are the ones that mark

2731 it up by about a factor of 2.

2732 Mr. {Boucher.} Thank you. Mr. Dankberg. Let me say

2733 thank you to each of our witnesses today. We appreciate very

2734 much your taking this time and sharing your insights with us.

2735 I am going to leave the record of this hearing open for

2736 approximately 3 weeks during which period of time there

2737 probably will be some written questions propounded to you by

2738 the members of the subcommittee. When you receive those

2739 questions, I hope you will respond promptly, and we will make

2740 your responses part of the record of this hearing. And the

2741 gentleman from Florida is recognized.

2742 Mr. {Stearns.} Just to ask unanimous consent for all

2743 members' statements to be included in the record.

2744           Mr. {Boucher.} Without objection. With that, this  
2745 hearing is adjourned with the thanks of the subcommittee.  
2746           [Whereupon, at 12:38 p.m., the Subcommittee was  
2747 adjourned.]