



**Minority Media &
Telecom Council**

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October 14, 2011

Hon. Julius Genachowski, Chairman
Hon. Michael Copps, Commissioner
Hon. Robert McDowell, Commissioner
Hon. Mignon Clyburn, Commissioner
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Dear Chairman Genachowski and Commissioners:

Re: Universal Service Reform (Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42; Lifeline and Link-Up, WC Docket No. 03-109) (Ex Parte)

Achieving universal broadband access, adoption and informed use is the greatest civil rights issue of the 21st century. This week, the Commission took an important step toward that goal with the Chairman's announcement of Connect to Compete and the Digital Literacy Corps, which will garner the strengths and resources of public/private partnerships to promote adoption, digital literacy training, and job training.

Reaching 100% broadband adoption is a massive undertaking that will require high priority voluntary and regulatory initiatives. The National Broadband Plan ("NBP") focused on inclusion broadly, placing broadband deployment and adoption efforts on an equal footing to address digital inequality.¹ MMTC was delighted to lend its endorsement to the Chairman's initiative.

¹ See Connecting America: The National Broadband Plan, Federal Communications Commission, at 133-190 (rel. Mar. 16, 2010), available at <http://download.broadband.gov/plan/national-broadband-plan.pdf> (last visited Oct. 10, 2011) ("National Broadband Plan").

For thirteen years MMTC has hoped that USF and ICC reform would finally cross the finish line. As we stated when the ABC Plan was announced:

The Minority Media and Telecommunications Council (MMTC) is encouraged to see a collaborative and comprehensive proposal put forth to reform the Universal Service High Cost Fund. The proposal recommends transitioning Universal Service Fund support away from voice services and toward broadband access in the hardest to serve areas – a position consistent with the recommendations MMTC supported in the National Broadband Plan.

For years, policy makers and stakeholders have debated reforming USF. Now is the time to act decisively. Broadband access has become the great social and economic equalizer in our society and all Americans deserve to experience its benefits.

Access to broadband is *the* Civil Rights issue of the 21st Century - thus, it's essential for the Commission to get USF reform right. Minorities need to be part of the USF reform conversation because the nation cannot afford to leave them behind in terms of broadband access.²

Thus we urge the Commission to ensure that USF reform is done now, and that it is designed to prioritize adoption.³

² Statement of MMTC on the Telecom Carriers' USF Reform Proposal, July 29, 2011, available at <http://mmtconline.org/lp-pdf/MMTC%20USF%20Release%20072911.pdf> (last visited October 13, 2011).

³ As proposed in the NBP, the high-cost portion of the USF would be shifted to the Connect America Fund ("CAF") in order to subsidize broadband deployment.³ See generally National Broadband Plan, at 133-152. The August 2011 Further Inquiry on the high-cost portion of the USF invited comment on specific proposals presented earlier in that proceeding.³ See Further Inquiry Into Certain Issues In The Universal Service – Intercarrier Compensation Transformation Proceeding 26 FCC Rcd 11112 (rel. Aug 3, 2011) ("High-Cost Further Inquiry"). The NBP suggested expansion of the Lifeline and Link Up programs to make broadband service more affordable for low-income households.³ See generally National Broadband Plan, at 165-190. The Commission's August 2011 Further Inquiry into Lifeline modernization and reform included designing pilot programs to support broadband adoption by low-income households.³ See Further Inquiry Into Four Issues In The Universal Service Lifeline/Link Up Reform and Modernization Proceeding, 26 FCC Rcd 11098 (rel. Aug. 5, 2011) ("Lifeline/Link Up Further Inquiry").

I. The Gap In Broadband Adoption And Use Is Greater Than That Of Broadband Deployment And Availability

Broadband is crucial to reducing inequality because it enables first class digital citizenship through access to new channels of civic participation, e-commerce, jobs, and information.⁴ A recent report published by the Joint Center for Political and Economic Studies recognizes a “stubborn persistence of concentrated poverty” in communities comprised predominantly of people of color.⁵ One-in-four African-Americans, one-in-six Hispanics, and one-in-eight American Indians live in census tracts in which 30 percent or more of the population lives in poverty.⁶ This compares to one-in-twenty-five of non-Hispanic Whites.⁷ The power of broadband to reduce geographic and socio-economic isolation is undisputed. Thus, universal broadband adoption should be the primary goal of federal telecommunications policy. For example, the Commission should promote policies and partnerships that address multiple adoption barriers including cost of service, cost of equipment, digital literacy, and relevant content.⁸

The available nationwide data reveals a 5-10% gap in deployment and a 32% gap in adoption.⁹ Broadband adoption rates are significantly lower for low-income families, elderly,

⁴ See Comments of the Minority Media and Telecommunications Commission, Lifeline and Link Up Reform and Modernization, WC Docket No. (11-42) (April 21, 2011) at 2 (“MMTC Lifeline/Link Up Comments”); see also Reply Comments of the League of United Latin American Citizens, One Economy Corporation, and the Minority Media and Telecommunications Council, Lifeline and Link Up Reform and Modernization, WC Docket No. 11-41 (May 11, 2011) at 1; see also Comments of the Minority Media and Telecommunications Council, Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42 (Aug. 26, 2011) at 5 (“MMTC Lifeline/Link Up Further Comments”).

⁵ Joint Center for Political and Economic Studies, “A Lost Decade: Neighborhood Poverty and the Urban Crisis of the 2000s” (2011) (“Joint Center Poverty Report”) at 1, available at <http://www.jointcenter.org/sites/default/files/upload/research/files/Lost%20Decade-web.pdf> (last visited October 13, 2011).

⁶ Id. at 3.

⁷ Id.

⁸ See Comments of One Economy Corporation, Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42, (Apr. 19, 2011) at 19-21. “Full deployment and adoption of mobile and other cost efficient/cost effective technologies is the only way we will ever be successful in reaching the unserved and low-income families with broadband.” MMTC Lifeline/Link Up Comments at 3.

⁹ NTIA’s data indicates that broadband has been deployed to approximately 90% to 95% of the country. See Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, Seventh Broadband Progress Report and

minorities, and disabled communities. Adoption rates for those homes earning less than \$15,000 is at 32%, according to NTIA, and 42% for those making between \$15,000 and \$25,000.¹⁰ Roughly 50% of African American homes and 55% of Hispanic homes do not use broadband.¹¹ The Joint Center's data shows that just 23% of African-Americans and 21% of Hispanics age 65 and older regularly use the Internet.¹² NTIA reports that only 38% of homes headed by a disabled person have broadband at home.¹³ Further cost, not availability, is the primary reason for not adopting the Internet among all groups combined.¹⁴ According to NTIA, of the reasons why more households generally do not have broadband at home, lack of interest, cost, and lack of a computer all outrank availability for all income brackets.¹⁵

Where cost is the concern, racial disparities in wealth certainly contribute to low home broadband adoption rates. Pew data points to a racial wealth gap of over \$100,0000, with the median wealth of White households is 20 times that of Black households and 18 times that of Hispanic households.¹⁶ Black and Hispanic households had just \$5,677 and \$6,325 in wealth,

Order on Reconsideration, 26 FCC Rcd 8008, 8090 (May 20, 2011) (based on speeds of 3 Mbps/768 kbps) (“Section 706 Seventh Report & Order”). While 3G wireless networks cover 98% of the nation's population, the household adoption rate for all Americans is only at 68%. See National Broadband Plan, at 146, available at <http://download.broadband.gov/plan/national-broadband-plan.pdf> (last visited October 10, 2011); see also Digital Nation: Expanding Internet Usage, U.S. Department of Commerce, National Telecommunications and Information Administration (Feb. 2011) at 7 (“NTIA Internet Usage Study”). The New York Times has reported that “[o]nly 68 percent of Americans with access to high-speed broadband Internet are using it, while in places like South Korea the rate is 90 percent.” Katherine Q. Seelye, FCC Expanding Efforts to Expand More Americans to Broadband, New York Times, October 12, 2011, available at http://www.nytimes.com/2011/10/12/us/fcc-expanding-efforts-to-connect-more-americans-to-broadband.html?_r=1&ref=us (last visited Oct. 12, 2011).

¹⁰ See NTIA Internet Usage Study at 8.

¹¹ See id. at 11.

¹² Joint Center for Political and Economic Studies. “National Minority Broadband Adoption: Comparative Trends in Acceptance, Adoption and Use” at 2 (February 2010), available at http://www.jointcenter.org/sites/default/files/upload/research/files/MTI_BROADBAND_REPO_RT_WEB.pdf (last visited October 13, 2011).

¹³ See Exploring The Digital Nation: Home Broadband Internet Adoption In The United States, U.S. Dept. of Commerce (Nov. 2010) at 31 (“Commerce Home Broadband Study”).

¹⁴ See NTIA Internet Usage Study at 20.

¹⁵ See id.

¹⁶ Paul Taylor et. al., Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics, Pew Research Center (Jul. 26, 2011) at 13, available at

respectively, while White households had \$113,149.¹⁷ About a third of Black and Hispanic homes and about one-fifth of Asian homes had zero or negative net worth in 2009, compared with 15% of White homes.¹⁸ The result is a lack of savings and disposable income to pay for computers and for broadband service at home. The data clearly supports the need for a greater emphasis on affordable access and adoption efforts to demonstrate the relevance of broadband for low-income families. The BBOC has cited numerous methods the Commission could use Life Line/Link Up to support broadband adoption throughout that proceeding.¹⁹

II. USF Reform Must Promote Affordable Broadband Adoption

The Commission seeks to reform USF to increase broadband participation in a manner that appears to retain the same structure of subsidies for deployment and service as indicated by their parallel proceedings on reforming the high-cost fund and Life Line/Link Up. However, as technology changes, so too should the manner in which the Commission views the industries it regulates.

The time has come for the Commission to take a more holistic view of how it can provide broadband service and promote broadband adoption. Numerous parties agree that there is insufficient focus on new methods to promote broadband adoption and inclusion.²⁰ The USF

http://pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf (last visited Oct. 9, 2011).

¹⁷ *Id.* at 13-14. While Asian households fared better, their net worth fell by 54% to \$78,066 between 2005 and 2009 most likely due to a growing immigrant population. *Id.*

¹⁸ *Id.* at 16.

¹⁹ See Letter to Chairman Genachowski from League of United Latin American Citizens, One Economy Corporation, and the Minority Media and Telecommunications Council, Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42 (filed May 11, 2011) (urging the Commission to address waste, fraud, and abuse in the USF programs, pursue pilot programs that will spur adoption, and require Eligible Telecommunications Carriers (“ETCs”) to provide broadband adoption services); see also MMTC Lifeline/Link Up Further Comments (underscoring the Commission’s authority under Sections 254 and 706 of the Communications Act to promote broadband pilot programs, and urging the Commission not to cap the fund, but to repurpose it for broadband adoption efforts such as subsidies for affordable hardware to access the Internet).

²⁰ See generally Blair Levin, *My Mistake; Our Opportunity*, Speech to the Joint Center for Political and Economic Studies (delivered Mar. 2, 2011) available at <http://www.knightcomm.org/wp-content/uploads/2011/03/delivery-joint-center-final.pdf> (last visited Oct. 6, 2011) (“Levin JCPS Speech”); Blair Levin, *Insightful Remarks on USF Reform*, Delivered to MMTC/Broadband & Social Justice Institute Public Forum (Sept. 12, 2011), available at <http://broadbandandsocialjustice.org/2011/09/blair-levin-delivers-insightful-remarks-on-usf-reform/> (last visited Oct. 6, 2011) (“Levin BBSJI Speech”); Comments of One Economy Corporation, Lifeline and Link Up Reform and Modernization, WC Docket No. 11-42 (filed Apr.

must be repurposed to address the cost of broadband service and/or devices,²¹ digital literacy,²² and relevant content.²³

A. Broadband Incentives Must Focus On Efficient Use Of Technology And Resources

The high-cost fund, which comprised approximately 53% of the USF in 2010, currently focuses on availability of voice service.²⁴ The America's Broadband Connectivity Plan ("ABC Plan") focuses on how to reform the high-cost fund for broadband,²⁵ and most of its recommendations are agreeable. In addition, however, there is at least an equivalent need to shift funds to a program that is, as Blair Levin stated on the anniversary of the NBP, "designed to stimulate use, and carries with it the foundation of a reciprocal commitment."²⁶

The goal of digital inclusion is to get those on the wrong side of the digital divide to be true participants in the digital community. To encourage participation, the Commission should implement a type of voucher system that is contingent on the use of broadband for school, employment, or healthcare – these are preferable to simple subsidies, such as the current Lifeline-Link Up voice plan.²⁷ A voucher system could encourage adoption through purposeful

2011) at 11 ("OE Lifeline/Link Up Comments") ("...for the majority of non-adopting households, barriers to adoption have shifted from availability, to issues of price, digital literacy, and relevancy"); Comments of Free Press, Connect America Fund, WC Docket No. 10-90 (filed Aug. 24, 2011) at 6 ("Free Press High-Cost Comments") ("Given that the broadband availability problem is small in scope and limited to primarily a few states, but that the broadband adoption problem is widespread across the entire country, it would be prudent for the FCC to focus on reducing the size of the high-cost fund and increasing broadband adoption through training and direct end-user subsidies.")

²¹ See MMTC Lifeline/Link Up Further Comments at 4 (citing Comments of the Asian American Justice Center *et al.* in Response to NBP Public Notice #19, GN Docket No. 09-51 (Dec. 7, 2009), p. 7); OE Lifeline/Link Up Comments at 20.

²² See MMTC Lifeline/Link Up Comments at 9; Free Press High-Cost Comments at 6; OE Lifeline/Link Up Comments 20-21; Comments of the Leadership Conference on Civil Rights, Lifeline and Link Up, WC Docket No. 03-109 (filed Apr. 21, 2011) at 4 ("LCCR Lifeline/Link Up Comments").

²³ See MMTC Lifeline/Link Up Further Comments at 8; OE Lifeline/Link Up Comments at 21.

²⁴ National Broadband Plan at 140. Lifeline/Link Up consists of only 13.8% of the fund. *Id.*

²⁵ See generally Letter from Robert W. Quinn, Jr., AT&T, Steve Davis, CenturyLink, Michael T. Skrivan, FairPoint, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, and Michael D. Rhoda, Windstream, to Marlene H. Dortch, FCC, WC Docket No. 10-90 *et al.* (filed July 29, 2011), Attach. 1 ("ABC Plan").

²⁶ Levin JCPS Speech at 9 (emphasis added).

²⁷ *Id.* at 7.

use of broadband technology. Further, subsidies should be granted with a requirement that the ETCs provide digital literacy training for users.²⁸

The types of programs proposed by Levin and OE address multiple facets of the adoption issue including digital literacy and relevance.²⁹ They provide incentives for non-adopters to change their priorities and join the digital age.³⁰ If properly administered, subsidies for such programs would be phased out over time because new users would see the value in broadband and be willing to pay for the service. Eventually, the market would meet the demand and develop a comfortable price point for most users, except for very low-income homes that could not pay for broadband access without some type of subsidy.³¹

B. High-Cost Funds For Deployment Should Be Consumer Focused, With Priority To Unserved Insular Areas

Americans who reside on Tribal lands and in U.S. territories receive broadband service similar to that of a Third World nation when compared to the rest of the country.³² As stated in the Act, consumers residing in insular areas should have access to telecommunications and information services that are reasonably comparable to that of urban areas.³³ However, this has not proven to be the case in areas like Puerto Rico, where FCC data indicates that almost 3.9

²⁸ See OE Lifeline/Link Up Comments at 20-21.

²⁹ See OE Lifeline/Link Up Comments at 19.

³⁰ See Levin JCPS Speech at 4-6.

³¹ See OE Lifeline/Link Up Comments at 26. “We do not believe in lifetime LLLU subsidies. Within one to two years after low-income citizens first consume broadband, the perceived value of broadband goes up to these citizens; our studies and others have clearly demonstrated this. As that perceived value increases, so does the willingness to pay. Subsidies could decrease to persons from low-income communities over time (besides the very poor who will simply not be able to afford broadband), in order to maximize the efficiency and reach of USF while also providing these citizens the vital opportunity to enter the economic marketplace as consumers. The government should serve as a stimulant, encouraging this initial provision by ISPs and consumption by low-income consumers and easing the path toward adoption with subsidies and partnership creation; it should not replace the marketplace.” Id.

³² See, e.g. Reply Comments of Puerto Rico Telephone Company, WC Docket No. 10-90 (Sept. 6, 2011) at 3-4 (discussing challenges of providing broadband service in states territories such as Hawaii, Virgin Islands, and Pacific Island territories where topography and climate increase cost of deployment); see also Ex Parte Letter to Chairman Julius Genachowski from David Honig, President, MMTC, Federal-State Joint Board on Universal Service, CC Docket No. 96-45 (Sept. 12, 2010) (discussing challenges to providing broadband service in Puerto Rico and the Commission’s failure to take action to provide any remedy).

³³ See 47 U.S.C. §254(b)(3).

million are without broadband service.³⁴ The most recent available NTIA data indicates that up to 26 million Americans are unserved by broadband and the population of Puerto Rico comprises more than one sixth of Americans without broadband service.³⁵ It is imperative that the Commission ensure that high-cost fund resources support deployment in insular areas such as Puerto Rico where broadband service is abysmally low, to comport with requirements of the Act.

C. Adoption Efforts Should Be Technologically Neutral

1. USF Reform Must Embrace Mobile Technology

Since the release of the NBP, the Commission has consistently recognized that mobile is the future of broadband.³⁶ Unfortunately, our universal support system has not caught up with the messaging. Any USF reform must embrace mobile technology. After reviewing the Comments in this proceeding, we have concluded that Lifeline and Link Up support should not be limited to one connection per household. The one-connection-per-household rule is based on a system constructed for landline telephone service that should be revised to recognize the importance of broadband, and mobile broadband in particular, as the key to first-class digital citizenship.³⁷

Lifeline/Link Up participation rates are abysmal.³⁸ As it works to revise the programs, the Commission should focus on increasing participation to extend voice and broadband service to low-income individuals regardless of how many people are living in a home. This follows the approach of the U.S. Department of Housing and Urban Development and local public housing authorities, which award housing vouchers via income and family size.³⁹

³⁴ See Section 706 Seventh Report & Order, 26 FCC Rcd 8008, 8052 (May 20, 2011).

³⁵ See id. at 8009.

³⁶ See, e.g. Chairman Julius Genachowski, The Clock is Ticking, Remarks on Broadband (Mar. 16, 2011), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-305225A1.pdf (last visited Oct. 5, 2011); Chairman Julius Genachowski, Remarks on Spectrum (Apr. 16, 2011), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-305593A1.pdf (last visited Oct. 6, 2011); Chairman Julius Genachowski, Our Innovation Infrastructure: Opportunities and Challenges, Remarks to the NARUC Annual Meeting (Nov. 15, 2010), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-302802A1.pdf (last visited Oct. 6, 2011).

³⁷ See, e.g. MMTTC Lifeline/Link Up Comments at 2-3 (discussing the importance of broadband and the cost of the digital divide).

³⁸ See id. at 3 (noting that “only 33 percent of low-income households participated in the Lifeline program.”)

³⁹ See Housing Choice Vouchers Fact Sheet, U.S. Dept. of Housing & Urban Development, available at

2. Payphone Service Should Be Covered by Lifeline/Link Up

As we embrace mobility, the Commission should also take steps to protect access to telecommunications services when away from home without a mobile device. While we move toward universal broadband service, which may support VoIP, the Commission should be careful to not eclipse service that offers low-income individuals a communications system of last resort, such as pay phone service. Payphone service should be covered under Lifeline/Link Up as it provides a communications outlet for those with no other service options.⁴⁰ Many low-income Americans rely heavily or entirely on payphones. Recent data indicates that 20% of American adults do not have mobile phones, and that number increases as household income decreases.⁴¹ Twenty-nine percent of American adults who live in a household earning less than \$30,000 do not have a cell phone.⁴² Payphone service is also critical in emergency situations where other services are over capacity or unavailable. However, these Americans use payphones not only in emergency situations, but in everyday situations in which they are away from their homes or cannot afford land line service. Providing coverage for payphones under Lifeline/Link Up would ensure that as the payphone industry shrinks to potentially unsustainably deployment densities, low-income Americans will be assured of a critical and often last resort means of communication.

* * * * *

In closing, we strongly urge the Commission to recalibrate USF programs with the goal of addressing the broadband adoption gap by focusing on programs that provide incentives for adoption and eliminate inefficiency throughout the system. USF funds that provide support for low-income families should not be redirected to deployment efforts. As the Commission seeks to reform the deployment efforts of the high-cost USF program, it should focus resources on insular areas without broadband access to extend mobile service via wireline backbone where possible.

We look forward to working with you to reach the goal of universal broadband access, adoption and informed use.

http://portal.hud.gov/hudportal/HUD?src=/topics/housing_choice_voucher_program_section_8
(last visited Oct. 5, 2011).

⁴⁰ See generally Further Comments of the American Public Communications Council, Lifeline and Link Up Modernization and Reform, WC Docket No. 11-42 (filed Aug. 25, 2011).

⁴¹ Pew Internet and American Life Project, Mobile Access 2010, p. 10.

⁴² See Comments of the American Public Communications Council, Lifeline and Link Up Modernization and Reform, WC Docket No. 11-42 (filed April 21, 2011) at 2.

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