



Consumer Federation of America

**STATEMENT OF
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TO THE

**FEDERAL COMMUNICATIONS COMMISSION BROADBAND WORKSHOP ON
THE UNSERVED AND UNDERSERVED**

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The Consumer Federation of America (CFA) appreciates the opportunity to address the Federal Communications Commission (FCC) on the issue of universal service in the broadband era. Universal service has been a central concern of CFA and a primary focus of my activities since I first testified before the FCC on the Michigan Petition a quarter of a century ago.

In the brief five minutes I have been allotted I will answer four questions.

- Who is not served in America today?
- Why don't they have service?
- What difference does it make? And
- How should we advance universal service?

Needless to say, I will have to simplify the answers, but full details have been provided in the comments filed by the Consumer Federation of America and Consumers Union in response to the Notice of Inquiry.

(1) Who is not served? Any household that does not have Internet service at home in America is unserved. Any household that does not have broadband is underserved. The metric of success in the realm of universal service is uptake, penetration, actual people getting actual service. The Commission should immediately and permanently put an end to the game of claiming that it has done its job if someone in the zip code or the local library has service.

(2) I make that statement because the answer to the second question "Why don't they have service?" is clear. The vast majority of households that do not have service would take it, if service were available to them at rates they could afford. Affordability lies at the intersection of

price and income. Other things matter too, like skill and interest, but there is no doubt that income and price are the two most important factors that affect adoption. According to the most recent data from the NTIA, urban households with incomes above \$25,000 were two and a half times more likely to have broadband than urban households with incomes below \$25,000 and four times as likely to have broadband as rural low income households. The reason is that low-income households cannot afford broadband and it is more expensive or not available in rural areas. You can search high and low for other factors, but none will come close to these 9 master factors in explaining who is not served.

(3) What difference does it make? Those who are disconnected are disadvantaged and disenfranchised. They simply cannot participate fully in the economic, social, civic and political life of early 21st century America. Our analysis shows that households with broadband and those without are just as likely to engage in physical space activities like seeking information, participating in political activity, writing a letter to the editor or circulating a petition, but broadband households are four times more likely to engage in similar activities in cyberspace. Those who do not have broadband are cut off from the growing digital public sphere. Denied the personal productivity tools and economic opportunities of cyberspace their life chances and well-being are constrained. That is why we must stop talking about the digital divide and act swiftly to close it.

(4) How should we advance universal service? The first sentence of the Communications Act sets the primary purpose of the Federal Communications Commission “to make available to all people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient nationwide and world-wide, wire and radio communications service with adequate facilities at reasonable charges.” The explicit tools to achieve this goal are provided to the Commission in Section 254. The FCC should declare broadband a universal service under Section 254 and reorient the universal service mechanisms – like lifeline, link-up, the high cost fund – to provide adequate broadband facilities at reasonable charges by subsidizing the costs in rural areas and subsidizing rates for low-income households nationwide. This action will trigger a number of proceedings and there will be a lot of work to do, so it is important for the Commission to make this determination quickly. To say that this would be a real change at the Commission is a remarkable understatement. The previous administration did not give a hoot about universal service and proved it by refusing to take any action whatsoever to address the digital divide in America. We believe that if the Commission quickly dedicates itself to the task of providing least cost, basic broadband connectivity that meets the needs of real people, it will be able to bring broadband penetration to the level of telephone penetration within half a decade. No matter what else the Commission does in the years ahead, if it fails to achieve the goal of universal service, it will have failed to shoulder its most important responsibility under the Communications Act.