



**National Cable & Telecommunications Association**

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Dear (Member of Congress):

On February 17, President Obama signed into law the landmark American Recovery and Reinvestment Act. As part of that Act, Congress provided more than \$7 billion not only to stimulate the construction of broadband infrastructure but also to stimulate broadband demand, thereby encouraging consumer adoption of broadband services, particularly among low-income, unemployed, elderly, and otherwise vulnerable populations. The Rural Utilities Service (RUS) of the Department of Agriculture, the National Telecommunications and Information Administration (NTIA) of the Department of Commerce, and the Federal Communications Commission (FCC) are charged with implementing the broadband grant and loan programs established by the Recovery Act.

As the largest provider of broadband services in the United States, our industry applauds the renewed focus on broadband. I am writing to you today to respectfully suggest a framework within which these agencies, with appropriate oversight by Congress, can ensure accountability and most effectively meet the objectives of the Recovery Act with regard to broadband deployment and adoption.

Since 1996, the cable industry has invested over \$146 billion to upgrade and expand our networks to provide broadband access, and it is estimated that we will spend another \$14 billion continuing such upgrades and expansion this year. The result of this investment is that cable operators today offer broadband to 92 percent of U.S. households. In just the last year, our industry has begun deployment throughout the United States of next-generation “wideband” service currently providing speeds of 50 to 60 megabits per second – a service that uses a technology that is capable of speeds well in excess of 100 megabits per second. And a number of our companies have already begun deployment of various technologies to supply wireless broadband service. Spurred by cable’s investment, telephone companies and wireless providers have also deployed broadband, creating a vibrant competitive marketplace characterized by explosive growth in both broadband deployment and adoption.

Despite our progress, there is clearly still a small percentage of the nation’s homes with no physical access to broadband. And even in areas where one or more providers offer broadband service, there can be other barriers to adoption – affordability (despite the declining price-per-megabit and growing value of the service), the lack of a computer or other equipment needed to connect to the Internet, low levels of basic “digital literacy”, and the lack of perceived value in broadband services. In order to best address these issues and to ensure that broadband fulfills its

full promise as an engine of job creation, a facilitator of educational and health care opportunities, and a means of shrinking the distances between isolated communities, we believe that the broadband grant and loan programs created by the American Recovery and Reinvestment Act should be structured around the following priorities:

- Extending broadband facilities to *unserved areas*.
- Supporting programs that enable *underserved populations* to acquire and to make effective use of broadband service where it is already available.
- If funds remain, extending broadband facilities to *underserved areas* defined in terms of below-standard speed and other qualitative measures relative to today's current generation broadband service.

Informed by these priorities, grants and loans should be awarded on a competitively and technologically neutral basis so as not to upset the competitive marketplace, and should be awarded through a process that is transparent and coordinated with other agencies providing similar aid.

We recognize the magnitude of the task before the RUS, NTIA, and FCC in implementing the ambitious broadband program established by Congress in the Recovery Act. But we are confident that grants and loans provided within this framework will have a meaningful impact in expanding the reach and use of broadband services and can be administered in a manner that promotes accountability and ensures effectiveness. As an industry that has been at the forefront of broadband deployment for more than a dozen years, we stand ready to work with the agencies and Congress in meeting these new challenges.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. E. McSlarrow', with a long horizontal line extending to the right.

Kyle E. McSlarrow

## **RECOMMENDED PRINCIPLES FOR BROADBAND EXPENDITURES**

### **Extending broadband facilities to unserved areas.**

While the number of consumers with access to broadband has grown steadily over the past five years, some areas, particularly in rural America, still lack the necessary infrastructure to offer broadband services and lag far behind their urban and suburban counterparts in access to broadband. Extending the physical availability of broadband where it currently does not exist, *i.e.*, where there is no provider of Internet access offering speeds of at least 200 kilobits per second in at least one direction, should be the government's highest priority in terms of distributing broadband grants.

The Recovery Act calls for grants to encourage investments that would not otherwise be made in a particular geographic area, and for funds to be awarded where they will be "efficient and expeditious." In providing grants or loans to unserved geographic areas, subsidies therefore should be directed to areas in which service would not otherwise be provided. To make the most efficient use of taxpayer dollars, funding awards should also give due regard for the most appropriate technology for a particular area. For instance, in some of the most rural parts of the country, extending broadband service through wired physical facilities may not be economically feasible, even with substantial governmental assistance.

Even in these unserved areas, efforts to encourage broadband deployment should not include unreasonable speed requirements that favor one particular type of next-generation architecture. As the House-Senate conferees on the Recovery Act recognized, establishing too high a bar for eligibility in these areas could have the perverse effect of deterring any investment there, depriving those areas of jobs in building out broadband and perpetuating the lack of broadband service rather than remedying it.

### **Supporting programs that enable underserved populations to acquire and to make effective use of broadband service where it is available.**

Providing broadband access does not necessarily mean that customers will subscribe to it. As surveys have shown, many consumers fail to subscribe to broadband services even when it is available. For too many of the at least 92 percent of the United States population that has access to broadband services there is a demand-side problem. Specifically, only about 61 percent of U.S. households subscribe to broadband service, with 70 percent of households headed by someone under 65 years of age receiving broadband service. An effective grant program therefore should address the reasons why particular populations choose not to subscribe even when broadband is available – whether for lack of perceived relevance to their lives or for lack of resources.

This problem disproportionately affects low-income and low-education households. A grant program should target these populations and the barriers that prevent them from receiving the benefits of broadband. The digital divide remains a very real problem.

To address these issues, grant programs should educate targeted groups about the benefits of broadband service, provide subsidies to make broadband services more affordable, and take other steps, such as using stimulus funds to establish a pilot broadband program modeled on the successful “Lifeline” and “Link-Up” universal service funds for basic voice service.

**Extending broadband facilities to underserved areas defined in terms of below-standard speed and other qualitative measures relative to the current generation service.**

Finally, it is no doubt the case that some broadband customers are *underserved* – they live in areas where there is least one broadband provider, they may subscribe, but broadband speeds are not robust and lag far behind what is capable with today’s technology. In these areas a provider may be offering basic or first generation broadband, but not current generation service with at least 3 Mbps downstream and 768 kilobits upstream maximum transmission speeds. Ensuring that these areas get current generation service is the third element of a sound broadband grant or loan program. The problems associated with underserved areas are, however, by their nature not as substantial as those faced by potential customers who lack broadband access altogether, or by populations who cannot afford or do not understand the benefits of broadband.

Any subsidies that are provided for deployment of broadband infrastructure in these areas should not have the unintended consequence of favoring one technology over another, one provider over another, or otherwise upsetting marketplace dynamics. To avoid this possibility, the grant and loan systems should be competitively neutral. This approach would ensure that entities vying for funds develop the most efficient means of supplying broadband to the widest swath of the population, without favoring a particular technology. Such an approach would recognize that favoring a given technology or disfavoring another, such as a shared network architecture, runs the risk of skewing the marketplace and limiting innovation.

Given the costs of wiring unserved areas and assisting underserved populations, we believe it would be imprudent to define underserved *areas* so broadly as to absorb funds that are better used to bring broadband to communities and individuals that do not have it at all. To this end, we would propose that any area with at least one provider of current generation high speed Internet access, *i.e.*, 3 megabits per second downstream and 768 kilobits upstream or higher, should be regarded as “served.” Such an approach will ensure that the Recovery Act’s broadband funds are allocated to areas and populations in greatest need of assistance in gaining access to broadband. Such an approach also minimizes the risk that stimulus resources are used counterproductively by subsidizing broadband in markets where an existing provider has already risked substantial amounts of private capital to deploy service.