

**Statement of Chairman Julius Genachowski
Federal Communications Commission**

**Hearing on “Digital Divide: Expanding Broadband Access to Small Businesses”
U.S. House of Representatives
Committee on Small Business
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Chairman Graves, Ranking Member Velazquez, members of the Committee, thank you for the opportunity to be here today. I’m pleased to join NTIA Administrator Strickling and RUS Administrator Adelstein on this panel.

This is my first time testifying before this Committee. I look forward to discussing how the FCC has been working on expanding broadband access to small businesses and ensuring that small businesses have the information and tools they need to harness the opportunities of this transformative technology.

My primary focus as FCC Chairman has been promoting innovation, investment, competition, and consumers in the Information and Communications Technology sector. We’ve focused the agency on maximizing the benefits of broadband communications, and on helping harness wired and wireless broadband to grow our economy, enhance U.S. competitiveness, and create jobs, as well as advancing important goals like improved education, health care, and public safety.

A key piece of our strategy has been empowering small businesses. As this Committee well knows, American small businesses are key drivers of economic growth and job creation. Small businesses employ more than half of all private sector workers, and they have generated about two-thirds of net new jobs over the past fifteen years. And, small businesses drive innovation. Small firms produce 13 times more patents per employee than large ones.

Broadband and information technology are increasingly important to the future of small business. Broadband connectivity and online business tools enable small businesses to grow and jobs to be created anywhere, in urban markets and small rural towns. Broadband allows small businesses to market their products and reach customers in the next neighborhood, the next city, the next state, and even overseas, increasing their revenue.

And broadband allows small businesses to lower their costs through cloud-based services. Increased revenue. Lower costs. More profits. More jobs.

Cloud-based services have been adopted by over 40% of small businesses, according to one analyst, a significant increase over three years ago. And one study found that having a broadband connection makes a \$200,000 a year difference in median annual revenues for businesses, by helping them reach new markets and increasing productivity.

Over the past three years, the Commission has taken a number of actions to help more small businesses seize the opportunities of broadband. Let's start with universal service reform. Nearly 18 million Americans – including many small business owners – live in areas where they can't get broadband.

But the Universal Service Fund we inherited was not moving the needle on that gap. It was optimized for telephone service, not broadband. It had become inefficient and even wasteful, sending money, for example, to multiple providers in one community, and none to other communities. It paid large guaranteed returns to some carriers, over 11%, and it did not have adequate accountability, allowing recipients to control their own funding spigot.

I'm proud that last December the FCC unanimously approved a once-in-a-generation overhaul of the Universal Service Fund – transforming this 20th century program that supported phone service into a 21st century, fiscally responsible Connect America Fund that supports broadband. These reforms put us on a path to connect all unserved Americans and small businesses by 2020. Just last week, one provider, Frontier, announced that it will be deploying broadband to approximately 200,000 unserved Americans as part of our reforms.

Our reforms will also help ensure that consumers – including small businesses – paying into the fund get a fair bang for their buck. FCC staff estimates that roughly a quarter of all universal service contributions are paid by small businesses – over \$2 billion per year. That's one reason we've set out to eliminate waste and inefficiency throughout USF. The Connect America Fund puts our universal service support on a budget for the first time, and with our Lifeline reforms alone, we've already saved more than \$50 million by scrubbing over 400,000 duplicate subscriptions from the rolls and are on track to meet our \$200 million savings target for this year.

These efforts are complementary to the work to ensure broadband availability by NTIA and RUS. Altogether, these coordinated efforts with our federal partners are helping more small businesses seize the opportunities of broadband.

The Commission also is taking a number of steps to help small businesses access the productivity and marketing tools of mobile broadband. The new Mobility Fund, which was established as part of our universal service reform, will spur the build-out of advanced mobile networks in unserved areas. We're removing barriers to the flexible use of spectrum in several bands to make more airwaves available for broadband. And we freed up the largest amount of spectrum for *unlicensed* use in 25 years – giving small businesses a new platform for wireless innovation.

The freedom and openness of the Internet have enabled small businesses in dorm rooms and garages to grow into some of the most successful companies in the world. The open Internet has helped small start-ups drive the apps economy, which has created nearly 500,000 jobs already. The FCC has adopted common sense rules of the road to preserve Internet freedom and openness and ensure the Internet remains a platform for small business innovation and job creation.

The Commission also has taken significant steps to help small businesses protect themselves from the growing risks of cyber attacks. According to a Symantec survey, three-quarters of small and medium businesses report being affected by cyber attacks, and these attacks typically

cost businesses tens of thousands of dollars.

Working with the Small Business Administration, the Chamber of Commerce, the National Urban League, and many private technology companies, we developed and released a Cybersecurity Tip Sheet for small businesses, describing a number of commonsense steps small businesses can take to increase their security. Password protecting your Wi-Fi router is one example. Working with our partners, the FCC also released an easy-to-use tool – our Small Biz Cyber Planner – to help small businesses develop a customized cyber plan.

And as the result of an FCC-led process on cybersecurity, ISPs serving 90% of all U.S. residential broadband subscribers have committed to adopting voluntary, concrete measures to combat three major cyber threats: botnets, IP route hijacking and domain name fraud.

Through its public safety responsibilities to promote network reliability, the Commission aids small businesses. The recent storm that caused significant power and communications outages from the Midwest to the mid-Atlantic region cost small businesses and consumers severely and knocked out vital emergency communications. The FCC is investigating this event and taking this issue seriously.

We're also working to overhaul our special access rules, which govern dedicated broadband connections to mobile providers, competitive carriers, and – critically – small businesses. These rules protect small businesses from anticompetitive conduct and increase their access to competitive offerings.

We need to not only make sure small businesses have access to broadband – we need to make sure that they have the basic digital literacy skills to take advantage of online resources and applications. That's why the FCC, working with the SBA, created a public-private partnership to leverage SCORE – SBA's network of more than 10,000 volunteer business counselors – to provide broadband tools, training and support for small businesses. SCORE has been hosting broadband workshops across the country, and earlier this year, the Commission, SBA and SCORE co-hosted a broadband training event at the DC convention center, which attracted more than 400 small businesses.

In addition, the FCC, NTIA, USDA and six other agencies have partnered to provide librarians, teachers, workforce trainers, and others a forum in which to collaborate and develop best practices – DigitalLiteracy.gov.

The Commission's Office of Communications Business Opportunities has conducted multiple workshops to educate small business owners on the opportunities of broadband, in addition to hosting networking events to connect small business owners with potential partners.

We take seriously Congress' directive that we minimize the impact of our rules on small businesses, and the Commission always considers the impact of our actions on small businesses and limits that impact when possible. For example, we exempted smaller cable systems from annual spot check obligations under the CALM Act, and we gave small broadcasters a two-year exemption from new requirements to disclose "public file" documents online.

We've made real progress on broadband in the last three years.

- The U.S. has regained global leadership, particularly in mobile.
- The U.S. leads the world in 3G subscribers by a wide margin, and we are leading the world in deploying 4G mobile broadband at scale, with 64% of the world's LTE subscribers.
- The percentage of smartphones globally with U.S. operating systems has grown from 25% to more than 80%.
- The apps economy continues to grow, and U.S. firms and developers continue to lead the way.
- In the last three years, we've gone from less than 20 percent to more than 80% of Americans living in areas with broadband infrastructure capable of delivering 100+ megabits per second, putting us near the top of the world.

For all our progress, there are still real challenges ahead. Explosive demand for mobile data is increasingly straining wireless spectrum, and the failure to make more spectrum available for broadband and use spectrum more efficiently will result in a spectrum crunch that stifles mobile innovation and eCommerce.

Foreign competitors are focused on the opportunities of broadband. To ensure continued U.S. global leadership in broadband-related innovation, and to fully realize broadband's potential to address key national challenges, we need to drive continued improvements in broadband speeds and capacity. For our innovation economy to continue to thrive, we want to be on a path where we're speaking about gigabits, not megabits,

Also, we need to keep working to close the broadband adoption gap. We have nearly 100 million Americans who still haven't adopted broadband at home. That's 100 million potential customers who can't be reached by small businesses selling and marketing their goods online.

I look forward to working with members of this committee to implement our initiatives and reforms, tackle these challenges and harness the power of broadband to promote the success of small businesses and our economy.

Thank you.