



December 4, 2018

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554

*Via Electronic Filing*

**Re: Notice of Ex Parte Communications, GN Dkt. No. 18-231, Marketplace Report; WT Dkt. No. 18-203, The State of Mobile Wireless Competition; MB Dkt. No. 17-214, Status of Competition in the Market for the Delivery of Video Programming; MB Dkt. No. 18-227, Status of Competition in the Marketplace for Delivery of Audio Programming; IB Dkt. No. 18-251, Satellite Communications Services for the Communications Marketplace Report**

Dear Ms. Dortch:

On Friday, November 30, 2018, Sarah Morris, Deputy Director of New America's Open Technology Institute (OTI), and Joshua Stager, Senior Policy Counsel at OTI, spoke by phone with Travis Littman and Elizabeth McIntyre of Commissioner Rosenworcel's office. During that meeting, OTI made the following presentation regarding the Commission's draft Communications Marketplace Report (Report), which is scheduled for a vote at the Open Meeting on December 12, 2018.

As longtime proponents of sound data-driven policy making and advocates for improvements to the Commission's Form 477 data collection processes, OTI is particularly concerned about methodological issues in the Report, as well as assumptions on which the Commission continues to rely in making conclusions about the state of competition in fixed broadband markets. Although OTI recognizes the tight statutory deadlines imposed under the RAY BAUM'S Act, OTI urges the Commission to refrain from adopting the item until the following concerns are addressed.

## Methodological Flaws

In its evaluation of competition in the fixed broadband marketplace, the Commission relies almost entirely on Form 477 data, which are self-reported data submitted by broadband providers about the census blocks in which those providers are able to deploy. As OTI and others have long told the Commission, this data set is fundamentally insufficient for measuring competition in the broadband marketplace.<sup>1</sup> Under Form 477, providers are merely required to report census blocks that they *could* serve without spending significant resources. This results in a deeply flawed data set that reports many census blocks as being served by multiple providers when, in reality, they are served by one or even zero providers. As a result, Form 477 data likely overstates the availability of broadband service and cannot be relied upon to identify competitive areas. By relying on this flawed data set, the Commission risks presenting to Congress a report that is deeply out of touch with the reality of the marketplace.

The Commission has acknowledged Form 477's insufficiency for measuring competition. Indeed, even in the recent Internet Access Services Report, the Commission includes a caveat about the limitations of Form 477 data, clearly stating that the data "does not necessarily reflect the number of choices available to a particular household and does not purport to measure competition." At the very least, the Commission should include this same caveat in the Communications Marketplace Report.

More fundamentally, the Report's methodology fails to consider other important factors beyond the number of potential providers that impact broadband availability and adoption. For example, as OTI and other commenters noted, a market's competitiveness is strongly linked to the consumer's ability to switch providers. In the broadband market, these switching costs are notably high and limit a consumer's ability to change service if they even have an alternative. The Report fails to assess this critical factor in any meaningful way. The report also fails to address whether providers are improving service or lowering prices—both of which are hallmarks of a competitive market.<sup>2</sup>

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<sup>1</sup> New America's Open Technology Institute Comments, WC Docket No. 11-10 (Oct. 10, 2017); New America's Open Technology Institute Comments, GN Docket No. 18-238 (Sep. 17, 2018) ("OTI 2018 Section 706 Comments") at 6-10; New America's Open Technology Institute, Institute For Local Self-Reliance, National Association of Telecommunications Officers and Advisors, National League of Cities, and Next Century Cities Comments, GN Docket No. 18-231, WC Docket No. 18-141, GN Docket No. 17-142 (Aug. 17, 2018) ("OTI et al. Fixed Broadband Competition Comments") at 3-8.

<sup>2</sup> Government Accountability Office, "Additional Stakeholder Input Could Inform FCC Actions to Promote Competition" (Sep. 2017), *available at* [www.gao.gov/assets/690/687244.pdf](http://www.gao.gov/assets/690/687244.pdf).

## Flawed Assumptions about Competition

In addition to its methodological flaws, the Report includes misguided and vague assumptions about broadband competition that are equally troubling. Of particular concern is the Report's breathless and baseless assertion that markets with two providers are sufficiently competitive. While there is debate about precisely how many providers are needed in a competitive market, Commenters have long maintained that a market with only two providers is decidedly *not* competitive; the appropriate term for such a market is "duopoly."<sup>3</sup> Duopolies are anticompetitive by definition and do not promote the public interest. The Report ignores this basic economic reality and instead goes even further in asserting that markets with only *one* provider may be sufficiently competitive because of "spillover effects" that are neither defined nor explained. That these assertions have appeared previously in the Commission's Restoring Internet Freedom Order does not make them any more defensible.

For these reasons, the Commission should refrain from adopting the Report as currently drafted.

Respectfully submitted,

/s/ Sarah Morris

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<sup>3</sup> OTI et al. Fixed Broadband Competition Comments; INCOMPAS Comments, GN Docket No. 18-231 (Aug. 17, 2018).



November 20, 2018

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554

*Via Electronic Filing*

*Re: Bridging the Digital Divide for Low-Income Consumers, **WC Docket No. 17-287**; Inquiry Concerning Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, **GN Docket No. 18-238**; Modernizing the FCC Form 477 Data Program, **WC Docket No. 11-10**.*

Dear Ms. Dortch:

The Open Technology Institute at New America (“OTI”) has filed extensive comments and reply comments in the above-mentioned proceedings urging the Federal Communications Commission (“Commission”) to adopt policies that follow the long precedent of improving high-speed broadband access across the United States. OTI has called on the Commission to strengthen the Lifeline program and reject proposed cuts that would significantly undermine the program’s ability to provide affordable communications services to low-income Americans. Additionally, OTI has urged the Commission to make significant changes to its Form 477 requirements and its Section 706 review of high-speed broadband deployment and access across the country to provide a more robust analysis of access and availability. In light of a recent study published by the Pew Research Center, OTI reiterates several policy proposals spanning these three proceedings that, if adopted by the Commission, would help alleviate concerns about the digital divide and the homework gap.

### **Affordability Continues To Be A Primary Obstacle To High-Speed Broadband Adoption**

Affordability is widely regarded as the most significant barrier to Americans adopting the broadband services necessary for work, education, information, entertainment, as well as health,

financial, and government services.<sup>1</sup> Addressing cost as a barrier to access is a key issue in the Lifeline, Section 706, and Form 477 proceedings. The high cost of broadband disproportionately harms historically marginalized communities in particular. This disparity leaves communities of color at a distinct disadvantage when it comes to the “Homework Gap”—where students *with* internet access have more opportunities to augment their education with digital content and tools, while those who cannot afford access at home lack those opportunities and, as a result, struggle to complete homework assignments and conduct research for school or personal interests.

A recent study by the Pew Research Center reinforces how a lack of high-speed broadband access—fueled by an inability to afford it—results in students being unable to complete homework assignments. Seventeen percent of U.S. teenagers reported that they often or sometimes are unable to complete homework because of a lack of a reliable computer or internet connection.<sup>2</sup> Those numbers were even more stark for Black teenagers (25%), Hispanic teenagers (17%), and teenagers from households making less than \$30,000 annually (24%) than they were for white teenagers (13%).<sup>3</sup>

The Pew study is just one of many studies that have explored the ways in which unaffordable broadband leaves communities of color without access. A recent U.S. Department of Education report found that 46% of Black children and 44% of Hispanic children who lacked home internet access said that it was because internet service was too expensive, compared to just 28% of white children who did not have access.<sup>4</sup>

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<sup>1</sup> New America’s Open Technology Institute Comments, WC Docket No. 11-10 (Oct. 10, 2017), <https://ecfsapi.fcc.gov/file/10102348405471/Form%20477%20Comments.pdf> at 7-9; New America’s Open Technology Institute Comments, WC Docket No. 17-287 (Feb. 21, 2018), <https://ecfsapi.fcc.gov/file/10222114768626/OTI%20Lifeline%20Comments.pdf>, (“OTI 2018 Lifeline Comments”); New America’s Open Technology Institute Comments, GN Docket No. 18-238 (Sep. 17, 2018), <https://ecfsapi.fcc.gov/file/109170024011310/2018-09-17%20OTI%20Section%20706%20Comments.pdf> (“OTI 2018 Section 706 Comments”) at 12-15; New America’s Open Technology Institute, Institute For Local Self-Reliance, National Association of Telecommunications Officers and Advisors, National League of Cities, and Next Century Cities Comments, GN Docket No. 18-231, WC Docket No. 18-141, GN Docket No. 17-142 (Aug. 17, 2018), <https://ecfsapi.fcc.gov/file/10817788202976/FCC%20Fixed%20Broadband%20Competition%20Comments%20of%20OTI%20ILSR%20NLC%20NCC%20NATOA.pdf> (“OTI et al. Fixed Broadband Competition Comments”) at 6-8.

<sup>2</sup> Monica Anderson and Andrew Perrin, *Nearly one-in-five teens can’t always finish their homework because of the digital divide*, Pew Research Center (Oct. 26, 2018), <http://www.pewresearch.org/fact-tank/2018/10/26/nearly-one-in-five-teens-cant-always-finish-their-homework-because-of-the-digital-divide/> (“Oct. 2018 Pew Research Center Study”).

<sup>3</sup> *Id.*

<sup>4</sup> *Student Access to Digital Learning Resources Outside of the Classroom*, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics (Apr. 2018), <https://nces.ed.gov/pubs2017/2017098.pdf>.

The high cost of home broadband services leaves millions of children without the ability to complete simple homework assignments or explore topics and enrich their educational experience. While an estimated 70% of teachers assign homework that require internet access to complete,<sup>5</sup> many students lack access to the broadband necessary to complete their work. The recent Pew study found that 15% of school-age children lacked a high-speed broadband connection at home, as did 25% of Black school-age children and 23% of Hispanic school-age children.<sup>6</sup> Lack of internet access serves as a major obstacle hindering the education of millions of American students.<sup>7</sup>

### **The Commission Must Strengthen, Not Weaken, the Lifeline Program To Address the Homework Gap and Digital Divide**

The Lifeline program plays a unique role in alleviating the homework gap and addressing the high cost of broadband services that is necessary to closing the digital divide. Lifeline is the only government program that is squarely focused on the issue of affordability for households by empowering Americans who cannot afford communications services with the chance to use them at a subsidized discount. The ability to purchase wireless services or standalone fixed broadband with a monthly subsidy offers millions of Americans much-needed support for providing their children with the tools necessary for modern education. The Commission’s modernizations of the program in 2016—through the inclusion of standalone broadband, Wi-Fi and hotspot equipment mandates, and the creation of the National Verifier—implemented strong policies to improve the program.<sup>8</sup>

However, the Commission’s 2017 Notice of Proposed Rulemaking and Notice of Inquiry (“2017 Lifeline Item”) offered several proposals that would devastate the program, leaving those on the wrong side of the digital divide and the homework gap with no support. OTI urges the Commission to do the following, as it has argued in detail in comments<sup>9</sup> and reply comments:<sup>10</sup>

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<sup>5</sup> Sean Cavanagh, *Students’ Lack of Home Internet Access Becomes Priority for District Tech Leaders*, EdWeek Market Brief (Feb. 19, 2016), <https://marketbrief.edweek.org/marketplace-k-12/lack-of-out-of-school-web-connections-major-focus-of-district-tech-leaders/>.

<sup>6</sup> Oct. 2018 Pew Research Center Study.

<sup>7</sup> John Branam, *Online homework is a problem for 5 million families without internet at home*, The Hechinger Report (Oct. 26, 2017), <https://hechingerreport.org/opinion-more-and-more-homework-requires-web-access-but-what-about-kids-without-internet-at-home/>, (“Although 70 percent of America’s teachers assign homework to be completed online, more than five million families with school-age children do not have internet connectivity at home. This disconnect leads to dramatic – and unfortunate – effects on kids’ daily lives. Arguably the most profound effects, however, are felt by high school students, whose challenge to complete homework in safe, predictable and productive environments can have lifelong impacts on their ability to achieve their full potential.”).

<sup>8</sup> OTI 2018 Lifeline Comments at 5-21.

<sup>9</sup> *Id.*

1. Support the inclusion of standalone broadband in the Lifeline program to provide households one fixed network to share;
2. Require Lifeline providers to offer recipients devices that are Wi-Fi and hotspot-enabled;<sup>11</sup>
3. Preserve the Lifeline Broadband Provider Designation and continue to work to strengthen and implement the National Verifier, which will strengthen the integrity of the program;
4. Continue to support non-facilities based providers, as roughly 70% of Lifeline subscribers receive service from a wireless reseller;<sup>12</sup>
5. Reject its proposal to impose a lifetime benefits cap for households that qualify for the Lifeline subsidy, as this would significantly harm the youngest members of families with several children who may not be able to receive Lifeline service for the full duration of their school years;
6. Reject the proposed budget cap, which would artificially limit the program's ability to provide for all Americans who qualify for the subsidy; and
7. Reject its proposal to require Lifeline providers to collect co-pays.

The Lifeline program serves a crucial role in bridging the digital divide, as it is the only program that confronts the largest obstacle to broadband adoption, cost. All of the above recommendations call on the Commission to reject the proposals that would essentially gut Lifeline, which is an immediate and important step for the Commission to take to avoid implementing policies that would harm low-income students and students of color whose families lack broadband access at home due to high costs. The Commission's 2017 Lifeline Item would severely undermine the Lifeline program's ability to bring high-speed broadband services to those who cannot afford it through a "death by a thousand cuts" tactic.

### **The Commission Must Collect and Analyze Broadband Pricing Data To Help Bridge The Digital Divide**

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<sup>10</sup> New America's Open Technology Institute Reply Comments, WC Docket No. 17-287, WC Docket No. 11-42, WC Docket No. 09-197 (March 23, 2018), <https://ecfsapi.fcc.gov/file/10323587222121/OTI%20Lifeline%20Reply%20Comments.pdf>.

<sup>11</sup> This is a particularly pertinent issue to the homework gap, as the Oct. 2018 Pew Research Center Study cited above found that 12% of all U.S. teenagers (21% of black teenagers) use public Wi-Fi to do homework because they do not have an internet connection at home. More than one in five (21%) of teenagers from households making \$30,000 or less per year said they use public Wi-Fi for homework due to a lack of access at home. Low-income households with school-age children that purchase devices through the Lifeline program require devices that are Wi-Fi and hotspot enabled. Without these requirements, the purpose of the device is moot when it comes to bridging the homework gap.

<sup>12</sup> Federal Communications Commission, Universal Service Monitoring Report (2016), [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-343025A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-343025A1.pdf) at 30.

Further, OTI believes Pew’s findings on the relationship between the high cost of broadband and digital learning offers insight to the Commission’s work in its Section 706 proceeding as well as its Form 477 proceeding. In both proceedings, OTI urged the Commission to collect broadband pricing data in order to gain a better understanding of broadband availability. By collecting consistent and reliable data on broadband prices across the country, the Commission could begin to analyze pricing trends to accurately assess the actual *availability* of the services to Americans, and then compare its analysis to those same companies’ deployment reports. Policymakers have recognized the importance of these efforts, as the 2010 National Broadband Plan called on the Commission to “collect, analyze, benchmark and publish detailed, market-by-market information on broadband pricing and competition.”<sup>13</sup>

The Pew Research Center reinforces these studies, and makes clear that cost remains a key obstacle to adoption. The Commission should include evaluation of this barrier as part of its review of broadband deployment and availability in its Section 706 report. While the Commission currently reviews where internet service providers *reported* deployment in its 2017 Broadband Deployment Report, the Commission should also analyze how much providers charged consumers and compare that with adoption rates and average annual salaries to see who can actually afford high-speed broadband service. If an internet service provider has deployed to a specific area, but service is so expensive that very few people there can afford it, then high-speed broadband is not actually accessible to people who live there, which undermines its availability.

## **Conclusion**

OTI urges the Commission to take concrete steps to address the issue of affordability in broadband adoption, and in particular its relationship to the homework gap for low-income students and students of color. The Commission should do this by rejecting proposed cuts to the Lifeline program, and by collecting and analyzing broadband pricing data to develop a robust understanding of who can and cannot afford high-speed broadband prices, as well as pricing trends over time and in different locations.

Respectfully submitted,

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<sup>13</sup> Federal Communications Commission, Connecting America: The National Broadband Plan, GN Docket No. 09-51, at XI (2010).



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