



California Emerging Technology Fund
Adopted Position on Comcast Acquisition of Time Warner Cable
July 2014

The California Emerging Technology Fund (CETF) Board of Directors has ratified and reaffirmed: (a) CETF testimony to Congress regarding federal policy recommendations to establish an affordable broadband rate; and (b) CETF public statements regarding the Comcast acquisition of Time Warner Cable (TWC) and exchange of service areas with Charter Communications. These documents provide context and a foundation for the 5 recommendations below regarding the Comcast-TWC-Charter corporate consolidation to be submitted to regulatory agencies. They set forth the broadband adoption goals for California (80% statewide by 2017 with no one region or demographic group less than 70% and 90% by 2020) and explain the 3 primary challenges to achieving these goals for low-income populations: (1) cost; (2) relevance; and (c) digital literacy (including availability of an affordable computing device in the home). These documents explain the effectiveness of a strategy to work with schools to engage parents to support their children's learning to drive "sustainable broadband adoption" among low-income families (such as with School2Home program sponsored and managed by CETF).

CETF has monitored and analyzed the results to date of the Comcast Internet Essentials (CIE) program. In 3 years Comcast has signed up 11% of the eligible population (families with children on free-or-reduced lunch) in California and the nation. That is 35,205 households in California out of more than 313,000 eligible families. At that rate, it would take another decade for Comcast to reach just half of the currently-eligible population. Further, conservative analysis indicates that an estimated 1.3 million California households (2.65 million school children) would be eligible for CIE in the new combined service territory of approximately 3.7 million households if the Comcast-TWC deal is approved. Attached is the CETF analysis of the prospective households eligible for CIE.

The following are the 5 recommendations to regulators approved by the CETF Board of Directors:

1. **Set Performance Goals:** Set a national goal for Comcast to increase Internet Essentials subscribership for eligible households (now at about 11% in California and the nation) to reach 45% in 2 years, (including the expanded eligible population described below) and to continue the program until 80% adoption is achieved in low-income neighborhoods within the combined service areas in each major market. Comcast should launch an effective multilingual and multimedia advertising campaign to inform eligible households. Comcast should be required to operate with more transparency by sharing enrollment data by zip code and schools every month to enable community-based organizations (CBOs) and anchor institutions to assist Comcast effectively help increase adoption rates.
2. **Include All Low-Income Households:** Extend Comcast Internet Essentials (CIE) to all low-income households, not just those with school children. Eligible participants should include low-income seniors, people with disabilities, and recently-returning veterans. According to the 2014 statewide survey on broadband adoption conducted by the Field Research Corporation, 47% of California households earning less than \$20,000 a year do not have high-speed Internet access at home.

3. **Offer Stand-Alone Internet Service:** Offer consumers the opportunity to purchase stand-alone high-speed Internet access at a reasonable rate. If the Comcast-TWC-Charter deal is approved, the expanded California market will include Southern California where the company is likely to heavily promote TV, phone, and Internet bundled services. It is worth noting that AT&T was ordered by regulators to provide a stand-alone Internet access service after the merger with SBC along with low-cost DSL for a specified period of time. Also, require the CIE offer to include a choice of a wireless modem-router to enable all students in a family to simultaneously do their homework on school-issued devices. Further, in setting performance standards, regulators should keep in mind the relationship between broadband speed and adoption, which cannot be expressed better than Comcast does in their own ads: “The Internet becomes more exciting the faster it goes.” Thus, affordable broadband offers need to ensure sufficient speeds to foster sustainable adoption.
4. **Capitalize an Independent Fund and Coordinate with States:** Require Comcast-TWC-Charter to capitalize an independently-administered fund with the amount determined on the most cost-effective approach and strategies to achieve the performance goals. Work through and collaborate with state agencies (such as the California Broadband Council and the California Public Utilities Commission) in states that have an adopted plan to close the Digital Divide. In states such as California that are major Comcast-TWC markets and have a strategic plan to close the Digital Divide, require Comcast to dedicate a sufficient amount to an independently-managed fund to engage experienced community-based organizations (CBOs) to assist in achieving the 45% CIE subscription sign-ups and overall 80% adoption rate. A statewide fund should be administered by an entity selected by an appropriate state agency through an open, competitive process with a limit on administrative costs not to exceed 10% of the total in order to ensure sufficient funding for CBOs. Nationwide outside of those states that would meet these criteria, an independent third-party (such as EveryoneOn) could administer funds and provide regular progress reports to the FCC. The national advisory oversight committee referenced below also could oversee the administration of the funds.
5. **Establish an Advisory Oversight Committee:** Establish a national advisory oversight committee for CIE to provide feedback and input to the FCC in monitoring performance and progress. The oversight committee should include senior executives from Comcast, regulators, state officials, experienced non-profits with a mission to close the Digital Divide and a track record of accomplishment, and consumer representatives. Additional members may include experts knowledgeable about Digital Literacy, educational technology, workforce preparation and health care. If a fund is established, the oversight committee will need to meet regularly to ensure accountability for performance.