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NATIONAL BROADBAND PLAN WORKSHOP

OPPORTUNITIES FOR SMALL AND DISADVANTAGED BUSINESSES

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Panel 1: Institutional and Governmental Views

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RAYMOND J. KEATING

MARK GAILEY

Panel 2: View from SDB Broadband Entrepreneurs

THOMAS A. REED

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THOMAS A. REED

WARREN BROWN

CHARLES RAMOS

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P R O C E E D I N G S

MR. REED: Good afternoon. My name is Thomas Reed. I'm Director of the FCC's Office of Communications Business Opportunities.

I'd like to welcome everyone to this workshop. Before I begin, though, I would like to recognize Commissioner Clyburn, who has joined us, Commissioner Mignon Clyburn, who will be -- who will introduce today's workshop.

Commissioner Clyburn's career has given her a unique perspective on small businesses and small business issues, and we're delighted to have her and that she's able to join us here today. So I'd like to welcome her and have her give us some comments.

COMMISSIONER CLYBURN: Thank you. Thank you, Director Reed, and good afternoon everyone. I'm from the South, so we look for a little bit more response.

Good afternoon, everyone.

SPEAKERS: Good afternoon.

COMMISSIONER CLYBURN: Thank you very

much for making me feel at home.

I'm pleased to welcome all of you to the Commission's Workshop on Opportunities for Small and Disadvantaged Businesses.

Throughout my career, I have been a vocal supporter of finding innovative ways to create an environment that fosters the growth and development of small and disadvantaged businesses.

As you may know, I owned and operated a small business, a weekly newspaper based in Charleston, South Carolina, for 14 years. In order to compete in the marketplace, I rolled up my sleeves and participated in every single aspect of the business, from editing to publishing, to delivering the newspapers themselves.

I know firsthand the challenges of small and disadvantaged businesses. In my role at the South Carolina Public Service Commission, I was active in the National Association of Regulatory Utility Commissioners' Utility Market Access Partnership.

This initiative is designed to encourage

utilities to increase procurement opportunities for diverse business enterprises, including businesses owned by women, minorities, and disabled veterans.

Small businesses are a great driver of the U.S. Economy, accounting for over 60 percent of all jobs created since the mid-1990s.

This is why it is so important that we hear from small business owners and advocates as we develop the National Broadband Plan.

I applaud Chairman Jenikowski's leadership and the Commission's outstanding staff for their hard work in organizing this workshop.

Today's panelists bring to the table a wealth of experience and expertise, and I look forward to a spirited discussion.

Thank you for participating this afternoon, and enjoy the workshop.

(Applause)

MR. REED: Thank you, Commissioner. Good afternoon, everybody, and welcome to Opportunities for Disadvantaged Businesses. This

is one of 18 workshops conducted here at the FCC this summer on broadband-related issues. This workshop will explore whether small and disadvantaged businesses are prepared to take advantage of broadband technology to grow their businesses and reach new markets.

To the extent that SDBs are not effectively utilizing broadband technology, we hope to identify the reasons they are failing to do so and outline some steps necessary to educate and assist them in bringing broadband into their businesses.

Our workshop will consist of three panel discussions, with each lasting approximately one hour. We'll take a short break in between each panel.

We have the panelists to make a brief, five- to eight-minute statement, and when all the panelists have concluded their remarks, there will be a brief Q&A period.

Also, this workshop is streaming live; therefore, we may have questions from the

Internet.

The first panel discussion will offer insight into what is currently known by institutions about broadband technology and how they can assist small and disadvantaged businesses in their effort to increase broadband adoption to grow their businesses.

The second panel discussion will focus on broadband technology businesses. These are individuals whose businesses are already utilizing broadband technology to benefit their customers, and those who plan to use broadband technology in the future.

This panel will also assist us in determining what can be done to increase broadband adoption and utilization by small and disadvantaged businesses.

The third and final panel consists of representatives from businesses who are currently using some form of broadband technology to enhance their business and their presence in the marketplace.

We'll get to those panels in just a few minutes. Let me introduce our first panel.

Margot Dorfman is the CEO, the U.S. Women's Chamber of Commerce. Ms. Dorfman will discuss the challenges women entrepreneurs face in adapting broadband to develop their businesses and what collaborative efforts can be undertaken with educational institutions and others to make broadband literacy an integral part of such growth.

MS. DORFMAN: Thank you. I greatly appreciate the opportunity to be here.

The U.S. Women's Chamber of Commerce has 500,000 members, but we work on behalf of the one million women- owned and small businesses nationwide, opening the doors to economic opportunity.

The case for building a strong national broadband infrastructure has been well made already. Investments will create jobs and business opportunities, create and expand new markets, reduce energy costs, improve health and

education, improve quality of life through time-saving and increased connectedness.

However, there many risks involved as well for small businesses. Government spending could follow its normal course, taking the taxpayer dollars and redistributing them to the large businesses.

The risk for small businesses are profound, including increased competition, technology, and financial demands and regional exclusion. The ongoing rapid change of online communications systems creates new costs for small businesses, who do not have the scale and internal staffs of large businesses.

Large universities and technology centers are often not near low-income areas, and e-commerce and security systems often come with the technology and financial barriers.

So you have asked us to answer these questions. Specifically, how do we engage small business participation in the expansion of broadband across the United States?

First of all, we ask that you include us -- include small-, women-owned, and disadvantaged businesses in the core broadband infrastructure building.

And while we appreciate being included in these workshops, we hope for real inclusion throughout the process -- set purchasing and grant awards and objectives that assure small, woman-owned and disadvantaged businesses secure a fair share of the billions to be spent and awarded, and provide 100 percent timely transparency in your purchasing and grant awards.

There is a need to end contracting disparities. There are 10 million women-owned firms in the United States. We represent one-third of all businesses.

And yet, the federal government has never met the paltry goal of awarding five percent of federal contracting dollars to woman-owned firms. The shortfall for woman- owned firms is between $5 billion and $6 billion annually.

We ask that you put in place a policy to

make sure women-owned firms are included, because, to date, we have not been able to take advantage of any of the recovery programs.

Access to resources. Let me be clear: Small business we want to participate in government contracting and expansion of broadband.

While outreach is important, the bigger issue is to assure that the resources are available to enable small businesses to take part, such as access to capital, protection from industry collusion, and exclusion from key influencers.

Access to capital. We must help small businesses secure the capital and cash flow is needed to participate in the contracts being awarded for the expansion of broadband.

One way to assist us would be to assist expedient payments from the government and private contractors for work completed on these projects. Additionally, we encourage you to work with the SBA to support small businesses active in broadband infrastructure development to make sure

that they have the resources they need, and we strongly support both the SBIR and STTR programs to help businesses be part of the growing technologies that employ broadband.

We ask that you include us, include small businesses in everything you do; include small businesses in the development and implementation of broadband access across the United States.

We also need protection. We need to make sure that small businesses are protected. We must guard against anti-competitive trade practices. Internet technologies are creating new barriers every day. Standards are evolving and big businesses may create barriers through technology protocols and gateways that make it impossible for small businesses to compete.

We encourage you to establish a small-business watchdog for anti-competitive practices, and be very aware that commercial sector certifications of small, minority and women-owned firms are controlled almost

exclusively by large corporations, many of which are active in broadband.

Include us by building hubs of activities strategically and drive inclusiveness. Broadband and resulting technologies are creating new industry opportunities. Often technology transfer is closely aligned with universities and government or industry- created hubs.

The proximity to these hubs may naturally exclude small and this advantage firms. Build inclusiveness by establishing satellite hubs of opportunity that connect with and include small and disadvantaged businesses in the mainstream of the activity.

Educate us. We recommend you work closely with the SBA and the SBA entrepreneurial development programs. We believe it is important that you align your educational programs with the SBA system rather than create all new systems.

In the past, this has led to confusion, scattered resources, and government waste. And educate all of us. We encourage you to work with

the SBA to include learning in multiple languages and cultural adaptations.

Identify the obstacles. All broadband is not created equal. Rural and low-income areas need access to high-speed connections and the ability to transfer large files.

We have seen a trend by large broadband carriers to emphasize larger service in larger metropolitan areas. Naturally, they go where they can make the most money.

The government may need to assist and incentivize to ensure that broadband access can be reached from smaller and more remote communities.

And recognize risks. E-commerce has opened new opportunities for small businesses, but this revolution has also created significant problems.

E-commerce and the Internet have created competitive challenges for regional providers and place greater technology customer service demands on small businesses. Education and information on these resources to assist small businesses with

this issue would be beneficial.

On any given day, 20 percent of all Americans go online to look for a service or product they are thinking of buying. Consequently, local businesses may lose customers to online buying.

The layers and layers of technology and profits contained within e-commerce financial transactions drive down profit margins. Congress is now working to uncover the layers of profits that have been built up in the e- commerce purchasing transactions.

Large businesses have a tremendous advantage in establishing commerce payment systems and negotiating fees. We support government reform, transparency, and competition in e-commerce.

We encourage reform in this area to assure that e-commerce profit margins do not further erode. E-commerce security is also becoming more and more challenging for small businesses.

Much of the work to build infrastructure is widely dispersed rather than concentrated in exclusively large metro areas. This geographic range is a perfect match for small, woman-owned, and disadvantaged businesses.

We recommend that you have a lead weight proximity, small-, woman-owned and disadvantaged business status when awarding contracts and grants.

Level the playing field. Keep small businesses in the mainstream of your activities. Set high objectives for purchasing was small, minority, woman-owned, disadvantaged firms. Provide quick and complete transparency for contract and grant awards. Assure small businesses have access to capital, prompt payments from the government and private contractors.

And finally, we ask that you invest wisely. There has been a lot of pressure to get recovery investment dollars into the economy quickly, and the monies flowing through this program to expand broadband infrastructure can

have a tremendous impact on the communities all across America.

We encourage you to be careful in your process, include regionally-based small businesses, not just Washington and big businesses; support our communities; support small, woman-owned, and disadvantaged businesses; work with the SBA to drive education and access to capital; avoid the temptation to build whole new education and economic development structures that may simply atrophy after these funds are gone.

Thank you.

MR. REED: Thank you, Margot. Immediately to my left, Cheryl M. Johns in the Assistant Chief Counsel, Office of Advocacy, Small Business Administration.

Ms. Johns will address how and to what extent small and disadvantaged businesses have incorporated broadband technology into their businesses. She will also discuss what role, if any, the SBA, developmental agencies and others should play in assisting SDBs as they implement

broadband technology.

MS. JOHNS: Thank you. Thank you. Good afternoon. My name is Cheryl Miller Johns, and I am an Assistant Chief Counsel for Telecommunications and Technology at the U.S. Small Business Administration's Office of Advocacy.

As you may already know, the Office of Advocacy was established by Congress to represent small business issues before federal agencies and Congress.

Much like the FCC, Advocacy is an independent office, advocating the regulatory concerns of small entities, conducting research, and training federal agencies on our operating statute, the Regulatory Flexibility Act.

We file public comments and work with agencies to reduce the regulatory burden on small businesses. Last year, we saved small businesses $2.2 billion in cost savings.

Today, I have the privilege of wearing two hats, one to discuss Advocacy's work and

findings on small business implementation of broadband, and another to discuss how the Small Business Administration, SBA, hopes to further assist small businesses in the utilization and implementation of broadband technology.

Advocacy has viewed broadband implementation as a two-sided issue, with small businesses on the provider side looking to supply broadband Internet service and small businesses on the demand side who want to use broadband for their daily operations.

Within both of these categories are what have been defined as socially and economically disadvantaged businesses, or SDBs.

While the definition of SDB varies among agencies, they are typically a subset of small businesses that meet criteria to qualify for separate funding.

There are roughly around 12,000 SDBs within the Central Contract Registry that meet the SBA's definition. Now that's not to say that there aren't more within the United States, but

1 those are -- if you were to search for them in
2 SBA's database, those are the ones that would come
3 up.
4 Why is broadband so important to small
5 business? Because small businesses truly are the
6 backbone of the U.S. Economy.
7 Small businesses represent 99.7 percent
8 of all employers, employing one-half of the U.S.
9 labor force. Small businesses have produced 60 to
10 80 percent of net new jobs in the economy over the
11 past decade.
12 Small businesses produce 40 percent of
13 all high- tech employment. Small businesses
14 produce 13 times as many patents per employee as
15 large firms do in high-tech industries.
16 Studies are also showing that broadband
17 is enabling a new entrepreneurial culture for
18 small businesses within the United States.
19 Recent studies have shown that certain
20 factors make geographic areas more favorable for
21 small business growth, and broadband can help.
22 For example, some areas that feature low

commercial rent are more favorable to this development. Broadband can help this with telecommuting, home-based businesses, and actually 52 percent of all small businesses are home-based.

Broadband can help with producing areas that enable a high-tech corridor were areas where there are online idea labs and social networking that can help promote personal growth tools.

Broadband also can help with advanced education, and areas with higher education tend to be better areas for small businesses to develop.

Small business owners can take online courses or utilize other online personal growth tools.

Areas also that had different types of government involvement tend to be more favorable to the growth of small businesses. These areas that feature tax credits and different loan and grant programs can help.

There are several obstacles to small businesses who want to receive broadband, and you've heard these obstacles on several of the

other panels. I know the panelists have touched on these.

Availability is one or what you may have heard as referred to as homes passed. Affordability, or the take up rate. Broadband may be available in some areas, but small businesses may not be able to afford it for different reasons.

The reliability of service is actually a large factor. Small business owners they need to be able to communicate efficiently and effectively with their provider. If a line drops or service goes out, they need to be able to be up and running as soon as possible. They may not have time to wait an hour on the telephone while they're waiting for their service to be reconnected.

There are also a number of regulatory factors. With regard to small businesses that look to provide broadband Internet service, they are also obstacles for these businesses.

Access to capital is one obstacle. I

1 won't stress too much on these issues. I know
2 that they have been raised in other panels, and
3 perhaps we can have further discussion on them.
4 Limited spectrum. The last -- at one of
5 the last spectrum auctions, the AWS spectrum, we
6 didn't see very many small-business participants
7 or small-business winners and bidders with regard
8 to the designated entity program. This is
9 something that could be improved and should be
10 improved moving forward.
11 The high cost of special access is
12 another factor. Open networks and lack of clarity
13 and flexibility in regulation in general. And
14 also support for SDB sustainability is. Once
15 small businesses to take on the risks of laying
16 down infrastructure and being involved in our
17 telecommunications industry, what tools can we
18 provide them to help them to be successful?
19 In addition to the FCC's work, there are
20 a number of things that other federal agencies can
21 be doing to further small business implementation
22 of broadband. For example, the SBA itself can

leverage its bone structure to assist small businesses interested in providing broadband services or becoming broadband customers.

SBA has a total portfolio of direct loans and loan guarantees valued at over $90 billion. SBA works with nearly 900 small business development centers, more than 100 women's business centers, and more than 350 chapters of (inaudible) that can assist in educational outreach and training.

Last year, SBA had about 14,000 SBA-affiliated counselors who saved more than a billion and half people across the country. SBA has dozens of procurement center representatives throughout the federal agencies.

These representatives are stationed around the country to help small businesses have the chance to provide innovative and personalized services for federal contracts.

Working together, an interagency effort targeted at broadband deployment and penetration will assist in ensuring that small businesses

remain competitive in an increasingly international marketplace.

In addition, small business providers ensure that the U.S. market for broadband service is innovative and competitive. Thank you.

MR. REED: Thank you, Cheryl. Our next speaker is Timothy McNeil, who is the Director of Development, National Conference of Black Mayors. Mr. McNeil will discuss the unique problems African-Americans and SDBs face in rural and urban communities and what needs to be done to bring broadband to these communities. Mr. McNeil.

MR. McNEIL: Thank you. I want to bring you all greetings from the 658 African-American mayors that we represent throughout the country.

As he said, I'm with the National Conference of Black Mayors, and we are based in Atlanta. I am here in D.C., and one of the main thrusts of my position with the organization is to help grow businesses within our communities, because we recognize through the growth of businesses in our communities that's the only way

we'll be able to increase the tax base to get our people back to work and to help build thriving communities.

As we began that mission of really helping grow the economic base in our communities, we've been obviously reaching some challenges. And, it was through a discussion I had that I was actually invited to this panel.

And one of the things I'd like to do is kind of give you some real world examples of some of the things that we face and how broadband played an integral role in limiting the growth in our communities because lack of access.

One is, as I said, we're headquartered in Atlanta. Delta is also headquartered in Atlanta. And, as people complain constantly about when they call in for assistance, and the call goes to Indians, as someone that they can't communicate with well and so forth, we also went to some of the major corporations and said, "What about establishing a call center in one of our communities," especially some of our rural

communities where they've devastated by the loss of the manufacturing base?

So you have these huge denim and clothing manufacturing textiles that have gone out to China and other places. The people have nowhere to work, but you have that huge infrastructure there.

When we brought them in and had them look at the opportunity, it was something that they were very much interested in, because you had a ready and willing workforce in a community instead of sending everything to India.

The problem when they came in and made the assessment is there was no broadband, and their call centers operate on voice over IP technology. So that threw our communities out of the running for that opportunity.

So, once again, the people were first devastated when the manufacturing base left. We tried to bring in high-tech jobs that broadband required. They missed that opportunity, and thus the community is still in the grapples. In fact,

I had a communication with several of our rural mayors in the South today about their lack of understanding about how to get access to stimulus funding.

A perfect example: They had a town hall meeting with a group of farmers, and when they asked them about stimulus and all the communication about renewable energy, biomass, those things, they're telling people, third, fourth generation farmers in a rural area, just go online. Go to grants.gov. Pull down the grant application and, by the way, upload your application.

They don't have broadband. And some of our city halls don't have broadband. The only way we communicate with some of our mayors is by phone and by fax.

So to tell them that they have to go online to get this information, our communities continue to be left behind. It's almost becoming two worlds or the next civil rights issue because we have these opportunities, and we don't have

access to the opportunities because we're left in the dust.

And I don't want to belabor you with examples, because I could go on all day long. But here's one of the ones that's most glaring.

We worked very closely with one of our mayors in Louisiana, in northern Louisiana, a little town called Camty, Louisiana. That community is suffering. They have quite a bit of brown fields in the area, so many so EPA has come down and said, you know, you really need to do something with these brown fields; and some of them have been designated as hazardous areas.

And, by the way, there's EPA money that's available to clean those areas up. They've even given them the written studies. The mayor called me, and I said, "Wow, mayor. You're eligible for the funding. The EPA wants to come in and do the cleanup, and get this going."

She said, "Well, can you fly down, get the information, and go back to D.C. and upload it." They don't have broadband.

Now imagine that. It would be easier for me to fly all the way down to Louisiana, get the information, and come here and upload it than it would be for them to get online and process the information and get the funding that they're eligible for.

But if that doesn't happen, if we don't put these measures into assist and provide the on-the-ground technical assistance, the money will not get to the places of greatest need. It will be reallocated, redistributed to areas where they don't have the same challenges.

So these communities are really lacking in the opportunities.

Other areas that we are desperately trying to assist in is really getting -- going in the green jobs movement. We've been meeting quite frequently with Virginia State University, and it's one of the largest historically black colleges that have a large land-grant.

And with that, they have an agricultural training base, and to connect them to our farmers

so that -- in the South where they can learn opportunities, learn how to get their goods to market. Once again, we're faced with the same challenge: The University has limited capacity to broadcast through the Internet, and the farmers have a lack of opportunity to be able to go online and get the information.

So we really need small businesses to partner with our communities, to go after the funding, because our communities often lack the capacity to identify the opportunity, to secure it, and to then carry through with the opportunity once the funding has arrived.

That will help build our communities. It will build the business base and bring us on equal footing to go after opportunities as the economy changes. Thank you.

MR. REED: Thank you, Mr. McNeil. Before we continue, I'd just like to note for everyone there's a sign-in sheet that should be circulating, and I want to make sure that everybody signs it so we can stay in touch.

Also, as you consider questions, there should be note cards. You can pass those down the row. Make sure you put your name on a note card so I can identify any questions you have -- if you have them for a particular panelist, so that you know that that's going on while the panelists are still speaking.

Our next speaker is David Ferreira. Mr. Ferreira is the Vice President of Government Affairs at U.S. Hispanic Chamber of Commerce.

He will address the needs of limited English speaking and minority entrepreneurs and how best to prepare them to take advantage of broadband technologies to grow their businesses.

Mr. Ferreira.

MR. FERREIRA: Thank you. Good afternoon. Over the past decade, it's clear to all of us that have a smart phone or have been on the Internet and those of us that haven't to see in everybody that blows by us in their productivity that the telecommunications sector has undergone a vast transformation fueled by

rapid technological growth and the subsequent evolution of the marketplace.

Much of the policy debate over evolving telecommunications infrastructure is framed within the context of a national broadband policy. That's the reason why we're here today.

The way a national broadband policy is of mind and the particular elements that might constitute that policy determine how and whether various stakeholders, folks we represent, might support or oppose such a national broadband initiative has been representative of their interests.

The issue for the policymakers is how to craft a comprehensive broadband strategy that addresses broadband availability and adoption problems and also addresses the long-term implications of the next generation networks on consumer use, of the Internet, and implications of the regulatory framework that must keep pace with evolving telecommunications technology.

It (inaudible) specifically the

stakeholder communities that we represent. The items that we would particularly focus on are those regarding access.

Generally speaking, we would propose that the basic needs of the disadvantaged communities -- small and disadvantaged business communities that we represent -- generally require the development of services targeted to local communities so that they can better promote services, businesses, economic development, and everything else that a community has to offer.

The development of integrated learning centers, telecommunications centers, and distance learning centers have allowed, for instance, in some target communities and pilot programs to develop integrated centers that allow for multiuse facilities.

You can use it for Workforce Development Board activities, say, for Workforce Investment Act Title I and Title II activities. You can use them for English language acquisition courses, which are very much in desperate need.

The average wait time for English language acquisition courses throughout the country is two years.

So for any of you that ever are frustrated at somebody at a cashier that whose English isn't very good, remember they're waiting two years just to be able to take that first class in English as a second language.

So generally speaking, we would say that the promotion of public-private partnerships and means by which to try to develop new centers and new facilities that localize the availability of broadband -- the availability of broadband and the deployment of broadband constitute a very important step towards putting our stakeholders and these services close to each other.

And hopefully, the uptake will follow. We would also propose that common carriers have generally a responsibility within themselves based on the regulatory preferences and structures that they enjoy to be able to ensure that the services that they deploy follow a market-oriented

approach, but also follow an approach that is socially responsible to the community.

We know that the reason for that is very much based on economic growth. The most recent FCC 706 report shows -- and this is a very quick quote -- "local communities report that a key to their future is broadband. In order to track businesses and residents, they must be able to provide the necessities and this increasingly includes broadband.

The future of a community's economic employment opportunities, telecommuting, and opportunities for individuals with disabilities are related directly to a future of broadband in that community."

And we couldn't agree more. That goes in line with MIT's study from 2006 that shows that there is a remarkable market tie, and economic growth tie, between the delivery of broadband services, especially in underserved and unserved communities, and the economic growth that follows.

And Brookings report followed with a

similar report as well that shows that for every percentage point in new broadband penetration. You generally get a 0.2 to 0.3 percent employment increase per year.

So we would say that accessibility issues are one of the major keys by which to be able to address the needs of our stakeholders. And accessibility also defines itself in the delivery of new and innovative products.

The City of Philadelphia, for instance, has invested in public-private partnerships for the delivery of WiFi, city-wide WiFi services. Lowering the bar of essentially of technology and costs for individuals is generally one of the easiest ways to motivate uptake.

And that would -- we would promote that local and state -- there will be local and state solutions in addition to federal solutions, and that a national broadband plan should also try to promote and incentivize local communities to try to develop similar solutions like these that can hopefully be adopted in other communities.

And we would say that focusing on community based deployments -- I'm sorry -- I went through my community based -- and focusing on community-based contracting and localized contracting and SDB contracting is another way how to ensure that the broadband deployment affects the small and minority and English language -- non-English proficient business communities.

We know that broadband goes way beyond most things that we consider just access to the Internet. It goes into health IT. It goes into the ability of a company just to establish a computerized inventory system.

Generally speaking, we would say that especially in those roles where federal dollars are at stake that the minority -- that the SDB contracting requirements be at place.

Ms. Dorfman made a very strong point towards the federal -- the federal marketplace requirements that are necessary to ensure that that contracting takes place. Hopefully, we will have federal contracting reform coming through

Congress soon enough, especially on women-owned business requirements given that, especially in the Hispanic business community, Latinos are the fastest growth in new business creation, and generally in high-technology creation.

And we would also say let's not punish growth, because those businesses and those individuals with increasing net worths, they were small and minority business from the beginning. Let's not punish them for their ability to grow quickly within federal programs like the 8(a) program, where if you exceed a certain net worth, then you're kicked out of the program.

So we would say that generally we would want to ensure that small and minority businesses get a stronger focus from a national broadband plan. That also includes, for instance, access to spectrum issues.

We know that access to spectrum has been very much limited to small businesses and especially with the basic understanding that small businesses are the filers of most patents in this

country.

We're the ones that generate innovation in this country. Give us equal access to broadband -- to the spectrum that would allow us to develop new technologies and with that, for instance, one example is M2C Networks. That's just one of many examples of companies that we're looking to provide community-based, free and low-cost WiFi with an allocation of spectrum, but lost out to the large common carriers that were able to pony out large dollars.

We would say obviously that there needs to be a social responsibility component, given that support for not only minority communities and the small business communities is good business. It diversifies the stream of competitors, and in the end provides for a better service for the taxpayer.

MR. REED: Thank you, Mr. Ferreira. Ray Keating is the Chief Economist of Small Business and Entrepreneurship Council. Mr. Keating will provide an overview of broadband's potential to

reshape and redefine how SDBs can grow in today's market and address the market barriers confronting SDBs.

MR. KEATING: Thanks very much. Glad to be here today, and I appreciate that SBA Council was invited to give our take on this issue.

Just a little background. The Small Business and Entrepreneurship Council is a nonpartisan, nonprofit group; have about 70,000 members across the country. And we work on policy issues from A to Z that impact small businesses and entrepreneurs, including obviously telecommunications policy. And we get involved in some other things that can help businesses in terms of training issues and so on.

This is one of my favorite issues to talk about just because I have my own kind of personal story that tells us a lot about what's going on in the world of telecommunications and broadband.

Just give you a background. I've had a home office now for 18 years. I went from a

two-hour door-to- door commute, both ways, on Long Island to Lower Manhattan every day to a home office, so it's been a life-changing situation for me.

It's offered myself in terms of being able to, you know, personal rewards, but in terms of business, on the business front, it's been tremendous. I've been working for Small Business and Entrepreneurship Council who's located down here in this area for over 14 years now.

I have my own small business where I do research and analysis work, and all of this really has been possible due to the advancements in telecommunications and computer technology.

So I started off, you know, with the home office where we would be overnighting floppy disks to dial up and then to broadband.

And now, you know, in my area, where I happen to live on Long Island, there is a tremendous war going on between Cablevision and Verizon for small business customers and residential customers.

The results on my end has been, you know, tremendous productivity growth, all sorts of options and choices. You know, when you look at the price that I'm paying now for these packages compared to what I was paying in the past and the additional, you know, mind blowing advancements in terms of power and speed and everything, it's a no-brainer. It's been a tremendous benefit.

The key that I would like to drive home here today is that this was all made possible by private-sector investment. And that's kind of the message that I bring today in terms of broadband policy is that we need to maintain a stable, positive investment climate for broadband; and that really -- really the top goal in a sense should be a broadband policy should be to not get in the way of private-sector broadband investment and innovation.

It's been -- you know, and that's been the case I think recently, and it's really important to keep in mind what's been going on in telecommunications investment even recently. I

mean if you look at the numbers, you know, obviously we all know the economy is not doing well to say the least. We've been in a recession since December of 2007.

If you look at the private-sector investment numbers, it's really been quite grim. We've had 13 quarters now of negative growth, if you want to call it that, in private investment.

Now obviously a lot of that has to do with the housing situation, but if you go to non-residential investment, we've been suffering now for about a year. But telecommunications investment has hung in pretty well. It's held pretty well.

Forbes magazine last month had an article that talked about the two -- two of the large telecom firms, AT&T and Verizon, making $35 billion in capital expenditures in 2008. So it's -- excuse me this year just a slight decline from last year.

What's been the result? Again, you know, I give you my personal story, but, you know,

Pew had a poll recently about adults with broadband connections. The numbers are impressive: 63 percent of adults in this country have broadband connections.

Now that -- is that good enough? No. But compared to the end of 2007 -- and it was 54 percent. So that's a pretty impressive jump from the end of 2007 to April of this year.

You know, and obviously a lot of those individuals are entrepreneurs, home-based businesses. One thing: I'd like to give a plug for Cheryl's group is that right now the SBA has a call out for broadband research opportunity for small businesses to dig in and find out, you know, what's the situation right now for small businesses in terms of the speed, the cost, the type of broadband technology they're using.

So there should be some benefits coming out of that in terms of understanding where we are right now. But to say the least, the changes have been dramatic and positive, and small businesses really have been at the forefront of being the

beneficiary of this in terms of the innovative tools and services that have been made possible through the broadband marketplace.

I mean think about the flexibility now for small businesses. You know, you've got my own example of telecommuting, but reaching out to independent contractors -- so on the labor front having a wider choice of employees, if you will, or people that you're going to work with and contract with and collaborate with; and obviously expanded markets for your goods and services.

You know, it's not just local anymore. It's not just regional. It's national and, in many cases, international. So it's a very exciting time for small businesses that have empowered by the changes in broadband.

So again, the key here I think again is to not undermine that the incentives for investment and innovation when we're looking at a national broadband plan.

There are four things that I'd like to touch on real quick in terms of kind of the four

1 things that I call to avoid.

2 You know, there's a big debate right now

3 about the issue of net neutrality. You know,

4 there's a big movement there to get Congress to

5 essentially regulate price and traffic issues with

6 ISPs and so on.

7 You know, there's a fear out there that,

8 you know, a certain kind of traffic would be

9 treated differently from other type of traffic or

10 that, you know, there would be that there

11 shouldn't be price differences. But I think it's

12 important to keep in mind that you don't want to

13 -- well, first off, it would be kind of a -- it

14 remains something of a mystery to me as to why,

15 you know, and ISP, for example, would anger, you

16 know, one of the two markets that it's serving

17 because it's serving content providers and

18 consumers. It's not much of an incentive there to

19 I think to anger people and get everybody all

20 riled up.

21 But anyway, the point is that's one

22 critical point, and also, you know, from a small

business entrepreneur perspective, again, you don't want to have a situation where the government steps in and starts setting rules of operation, price rules, things like that that winds up dampening the incentive for investment and innovation.

It's similar with trying to avoid the special access price controls. You know, there's -- you know, those high-capacity lines provided by telecom firms for other firms, other telecommunications firms and businesses.

The fed -- the FCC in our view did the right thing in 1999 when it moved from price caps to pricing flexibility in areas where competitive triggers were met. So that's good, sound policy, I think, and, again, it provides that incentive for investment to happen and for entrepreneurs and small businesses to benefit accordingly.

And on the flip side, you know, it goes back to kind of economics 101 on price controls. Do -- are you going to really get the investment and innovation that you need when the government

is stepping in and setting those controls.

So that's a critical issue. There's also been some talk. The Wall Street Journal reported early last month about the Department of Justice looking into telecommunications firms on the antitrust issue.

You know, when you think about what's been going on again in the telecommunications arena and how the -- you know, the enormous number of choices that we have compared to -- that many of us have compared to not that long ago, it's difficult to figure out, you know, what might be problems on the antitrust front.

But again, I think if you understand the way the market works, it's critical to keep the consumer ultimately in the driver's seat, including small businesses and entrepreneurs. They are the ones that need to be deciding what works and what doesn't in the marketplace. And that's where we get economic growth from and it makes the most sense.

Final one: In terms of broadband

stimulus dollars, you know, we just -- we want to avoid taxpayer waste and losses. Obviously, those funds should go to the areas that are truly, truly unserved markets, but we need to be -- have transparency. We need to have the accountability issue. We need to really be looking at where every dime goes and have hard, hard requirements and evaluations in terms of being able to access and figure out whether or not those dollars are being spent appropriately.

You know, we don't want telecom bridges to nowhere, if you will.

I'll wrap it up there, and I look forward to discussion and questions afterwards. Thanks.

MR. REED: Thank you. Mark Gailey is the Chairman of the Organization for the Promotion and Advancement of Telecommunications Companies. Mr. Gailey will discuss how small telecommunications companies in rural America can help transform the potential of broadband into reality with the proper financing. Thank you, Mr.

Gailey.

MR. GAILEY: OPASCO is my night job. My day job is President and General Manager of Totah Communications, which is a family-owned telephone company that was started in 1954 by my grandparents and another gentleman in rural Oklahoma.

We serve rural communities in seven counties in northeastern Oklahoma and southeastern Kansas.

We provide broadband service to those communities. We, like many other companies our size, weren't forced into providing that. We started out providing dial-up Internet service to our customers, including small businesses, because nobody else was providing it in the areas.

That evolved into a DSL product that we now provide to those communities and to those customers. What that allows us to do is to be able to provide rural families with access to broadband, and my company is a 20- employee company.

So we qualify for a small business, but we provide that service to families that would otherwise not have that service.

What that means is their children can do school work online at home if they're fortunate enough to have a computer. We provide broadband services or we provide services to schools that allow them to set up computer workshops for students to do their work at school.

We also provide service to businesses. One of the businesses we provide service to is a Wal-Mart distribution center located in an area that we serve. The reason we were able to do that is because we had adequate funding from an USF program that allows us to recover our costs of the plant that we put in.

The size of my company -- we serve 3,000 telephone customers in those seven counties in Oklahoma and Kansas. We served just over 1,100 DSL customers, and we still have a little over 120 dial-up customers who simply just want to do e-mail and dial-up.

But, you know, you get an idea of who we serve. We serve a Wal-Mart distribution center. And we also serve small businesses. We serve farmers who like to be able to go online and check commodity prices -- check the price of beef to see when they want to sell their products.

We serve a small kennel who sells their dogs and who houses dogs, who uses our broadband service to price dogs and to reach people that are outside the state of Kansas.

We serve small-town government. The broadband allows those small-town governments to be able to go out and apply for the grants that you've heard some folks talk about. We serve small rural fire departments. They're able to go out and get certification on -- for some of their firemen using the broadband out on the web.

Today, we're a success story. But, as the USF program increasingly comes under attack from all areas, it could easily turn into a story of disaster. We could create a rural America where small businesses that have located in rural

America aren't able to get the services they need.

I'll give you another example. We provide service to a company that's a claim service. When the hurricane hit New Orleans, a substantial amount of insurance claims went through that company. We were able to, with our broadband product, we were able to increase them from a T1 service to a broadband pipe, which allowed them to transmit and work those claims from their office.

And this is in a very small rural community of less than 200 people in rural Oklahoma.

So broadband is increasingly important in rural America. OPASCO is a trade association that represents over 500 small companies like mine. And we are at the forefront of trying to make sure that the regulation that is out there governing us and allowing us to put services in and recover the cost of those services stays stable and that our members are able to continue to provide the services.

But without a stable recovery mechanism, the consumers wouldn't be able to afford the broadband service. So that's kind of why I'm here, that's kind of my mantra is that we need to maintain a regulatory regime that allows us to recover the costs from the consumer. I mean we want the consumer to pay their part, but there isn't any way in the areas that I serve they could pay the full costs and afford to stay there.

Thank you.

MR. REED: Well, thank you, everybody. Let's sort of jump right in. And, Mr. Keating, you use the phrase that "don't get in the way of innovation and investment." And this question I present you the entire panel really.

In talking about the February 2010 National Broadband Plan, and you touched on this a little bit, but I want everybody to sort of talk about it, what provisions need to be in it to protect your constituent groups and what types of things definitely need to be out of it?

Anyone can start.

MR. KEATING: Start here?

MR. GAILEY: Are you asking me?

MR. REED: I was asking. This question was to the entire panel, basically about the broadband plan, I want to more specifically about what provisions you think need to be in the plan in order to protect their constituent groups, and what provisions or what types of plans need to be excluded?

MS. JOHNS: I'm happy to start.

MR. REED: Please.

MS. JOHNS: I'm having a little trouble with my mike today, but one issue that my office hears -- well, we've been getting calls on not only since the broadband plan came into fruition, but for years now has been special access, and I think that regulatory components of the plan that will have an impact for companies that make this investment later on, it's important for them to be addressed.

It's important for a specially the small or the, as you call, SDBs, small and disadvantaged

firms that are going to take on that risk on the infrastructure side that they are going to be able to get a return on their investment so that, you know, two years out four years out, they're still in business. They haven't made this investment and then not been able to maintain, you know, the -- sort of the blunt of regulations in the marketplace.

So those would be my two main points, and any other related regulations.

MR. REED: Margot, do you have any specific ideas about that?

MS. DORFMAN: Sure. First of all, we need to make sure that there's access for everybody and it's equal access so that there is high-speed in the speed that's needed.

I would also hope that when looking at -- here are sort of two sides of it. One side is from the consumer end, being able to access it, being able to get the education they need in terms of how to use it, what the options are in especially as small businesses I mentioned with

getting the SBA involved with some of the education in terms of how to use it, but the other things that go along with it.

Now all of a sudden, I have to understand how to secure my system. That's going to cost more money. Now I'll need access to capital, so have the access to capital there, and those types of services.

Then on the flipside is as a small business looking to be involved in getting some of the contracts that as the broadband gets rolled out across the United States making sure that there is access for woman-owned and the disadvantaged, minority-owned firms that they do get access to those contracts and the resources they need to gain the access to capital for the contracts to turning them over as well.

MR. McNEIL: One.

MR. REED: Mr. McNeil, go ahead.

MR. McNEIL: One point I think I want to make is on the -- with the first round of funding that came out for the broadband plan, it was

glaring to notice that the only point was provided for the utilization of a small disadvantaged business in the whole scheme of things.

And we would like, as the plan rolled out, that there would be greater incentive for small business participation in the application and distribution of broadband funding.

In addition to that, we would like more emphasis placed on communities that are socioeconomically disadvantaged, whereby, if someone were to propose to implement broadband in those communities, they would receive greater incentive and greater opportunities to receive the funding as well as additional points for using small disadvantaged businesses located in those communities as well.

That's the only way, because we do not want the large carriers to come in and do the work, leave out, and then we have broadband, but there was no economic development that occurred. All the funding came from outside, builds it out, and leaves.

MR. REED: Okay.

MR. KEATING: And I, you know, I would like to just -- obviously the points I made earlier were on this question of the regulatory costs and regulatory threat, and that's what we're very concerned about that we don't want to see going down the path of net neutrality regulations, special access price controls. Cheryl mentioned return on investment. That's the bottom line for these businesses. They need a return on their investment.

So when you have the -- even the threat of regulation lurking in the whole debate, it will put it -- you know, it will have a dampening effect, and then obviously if they go through with the regulations, it's even worse.

But I think that's a critical issue to keep in mind that, again, to keep those incentives in place for the private sector investment and innovation.

MR. REED: Okay.

MS. GAILEY: Some of us have been a

regulated entity since 1954, so we're kind of familiar with being regulated.

However, there are things that do crop up from time to time that increase the regulations that we have on us, especially on small businesses that may not have the ability to -- may not have the manpower to address some of those regulations.

The other thing that is on the forefront of our business is affordable access to get the content that the consumer wants back into the Internet. The middle mile, so to speak, which was talked about last week at a different panel that I participated on, the cost of the middle mile can run for a rural company anywhere from $120 to $150 a megabyte to $250 a megabyte.

And that's -- you've got to pass that on to the consumer because that -- there's no regulation. There's no USF. There's no funding to assist you with that.

My company is applying for stimulus broadband money. Part of the problems that we had is we have borrowed money to put our DSL product

out, so companies that may be loaned up, like ours, had been forced under the program to file for the RUS loan portion first and then go to the NTIA portion of grants.

So we had to choose a portion of the amount of money we were needing to upgrade our facilities so that we can provide some of the areas that are underserved or marginally served with better access.

So we're in a situation where we're going to have to borrow more money to be able to do that.

MR. REED: As far as the end user and the rural community, we talk about the middle mile, maybe like the last mile, do we have to concede that those end-users are going to have to pay more because of the cost of providing those services to those extended communities?

MR. GAILEY: Well, if you get back to the Telecom Act, it says reasonable in affordability and access to telecommunications services, so they may have to pay somewhat more.

But, you know, if you're able to get a service for $30 in a metro area, you should be able to get the same service in a rural area at, you know, $35, maybe $40, but it should still be reasonable and comparable.

MR. REED: The NOI went out a few months ago asking certain questions and a couple questions that were asked were the -- one question was, how do we define unserved areas and how do we define underserved communities.

Does the definition matter?

MR. McNEIL: Absolutely, the definition matters, because based on the grant allocations, the funding is going to go to areas that have the highest level of being determined as unserved and underserved.

So in terms of how the funding is going to be distributed, it's going to be totally based on that definition. Now if communities that are truly underserved are not recognized, then they will be bypassed in the whole scheme of things. And that definition has to include socioeconomic

status.

MR. REED: So, in other words, it includes lack of access to infrastructure or lack of economic resources being the main thing?

MR. McNEIL: Absolutely. As he stated, the inability to pay for the service that is being provided because the same scenario that he mentioned, whereas we have a carrier that doesn't see the benefit in serving a rural area may, if they do build out the get the infrastructure, they're going to charge substantially more.

We're finding the same thing in some inner-city areas where the level of poverty is such that the carrier is saying if I build it out there, broadband may cost $60, and they may have to put down a $100 deposit.

Well, that is enormous for someone on a fixed income living on social assistance.

MR. REED: Mm-hmm.

MR. KEATING: If I can add, I think from the government's perspective and the taxpayer perspective, you want that definition as clear as

possible, because you don't want to have a situation where down the road, after it's all done, somebody's coming back and saying, well, did this really needs to happen here.

I mean I think your definition has to be very detailed, very clear so people understand exactly what's going on so you don't have that situation where you come back and say why are these -- you know, why is this group, why is this part of the country getting subsidies when they really shouldn't, when you, you know, make comparisons so.

MR. REED: Does anyone have thoughts on, for instance, how we should define underserved communities with what that definition should entail?

MR. FERREIRA: Generally, uptake should be one of the major guidances for it. You can have a community where there is availability of products, but you can have sectors within that community that where there's no either deployment or very little marketing or maybe it's an issue of

wage. The two major factors that usually determine lack of access to broadband services these days are living in a rural community or being a low-wage -- living in a low-wage household.

So generally speaking, being able to maintain somewhat of a flexible understanding of what constitutes that lack of access and making sure also that we define him very much within the terms of uptake. Where is there no uptake? Where is there little uptake? And what are the reasons that constitute it?

And generally, that also allows regulators to be able to determine and to develop more flexible approaches, like, for instance, within the concepts of using maybe wireless -- a wireless services within the existing wireless telephone services and how they've been adapting and growing lately for more delivery of services in underserved communities.

We see that one of the largest growth areas for broadband adoption within low-wage or

minority households tend to be a smartphone. So generally speaking, there are ways by which the regulators hopefully will come to consider more innovative approaches, but it always is starting with a flexible understanding that is generated on that uptake.

MS. JOHNS: I think the definition needs to be flexible in that it should consider availability and affordability.

With regard to uptake alone as the only factor, there may be, you know, non-economic reasons as to why there is not uptake in a particular household, and so I think that -- therein lies in the challenge, figuring out the balance in between where it's available and where people are actually using it, and if they're not using it, figuring out well, why are they not using it.

MR. FERREIRA: That's a very good point. Just to, as an example, for instance, only in the last several years have we seen essentially a flood of marketing regarding wireless telephone

services, for instance, in Spanish language media and broadcasting.

You can't turn on Univision and Telemundo right now without seeing the flood of Cricket ads, because of Cricket moving, for instance, into the D.C. Metropolitan area, but five years ago, 10 years ago, that was a very different issue.

And that doesn't necessarily also apply in all markets. While you may have areas, like in northern Iowa, where you have huge clusters of, say, non-English speaking communities or in portions of southern Florida where you may have large portions of patois and the Haitian immigrants and other portions of the country that are like that, the delivery and the marketing of those services may not be able to be reaching those -- the ears of those people.

The services may be there, but they just might not know.

MS. JOHNS: Education is definitely a factor that comes into play with all of that.

I've talked to some small-business owners, and I was surprised one response as to why not broadband. I asked why they wouldn't consider moving sort of paper operations online, and the response was just that they didn't trust it.

They're worried about privacy concerns. They thought there would be other related hassles, et cetera. So there are a lot of different reasons as to why perhaps people would be less inclined to immediately gravitate toward the new technology.

MR. REED: You know, we've gotten a number of questions from the audience related to FCC regulatory hurdles.

Are there any specific regulations that you believe the SE -- through the FCC should eliminate and why?

MR. GAILEY: Why, is everybody looking at the telephone guy? I'm not going to stick my neck out and say the FCC should eliminate any of them.

What would assist telecommunications

companies right now would be a -- some grooming of the USAC audits that are going on. Those have been put out as attestation audits, and my company just recently finished ours.

Those are -- don't really take into account reasonability in some instances. They don't really take into account performance.

So I -- you know, we're not opposed to being watched over for the USF money that we receive, but we want it to be a fair audit process. Some of the audits that I've heard about were-I'm not sure what the correct word is -- the auditor that came in was not nice to the company they were auditing. It was almost like they were coming in and they were auditing you're a criminal. You were guilty before you proved yourself innocent.

So we very much look forward to working with the FCC on making that audit process more realistic. A lot of the early on audits, there have been reporting high accounts of fraud, waste, and abuse.

But I can give you instances of the problems with that where if a company was underpaid a dollar, it put a whole account that may have been hundreds of thousands of dollars in that one accounting account as a waste, fraud, or abuse.

If they were overpaid a dollar, that same $100,000 was shown as waste, fraud, or abuse.

So there's not necessarily good reasonableness being taken into account. For instance, when -- under my audit, we own a backhoe that we purchased in 1981, I believe.

We recently four years ago had it refurbished, totally rebuilt. So we had it on the books for the amount of money that we had spent to rebuild it, but because we couldn't furnish the receipt from 1981 when we bought it, that whole account was put into jeopardy.

MS. JOHNS: I think honestly a reevaluation of competition in the market is something that at least our constituents would definitely support.

1 Just looking for ways -- you know, the
2 Telecom Act of '96 does say competition is king,
3 and if that is true, look for ways and policies to
4 sort of nourish that in areas where it is
5 possible.
6 MR. FERREIRA: And we would echo that
7 sentiment. Generally speaking, as we move from
8 monopoly to competition, the regulatory bodies are
9 going to have to establish these new regulatory
10 environments to make sure that we promote
11 competition and that these regulations also
12 include subjecting providers of like and competing
13 services and of similar sizes to similar
14 regulations and establishing new regulations to
15 protect or nurture new competitors and developing
16 those new regulations to address the entrance of
17 new services.
18 And so generally speaking, also
19 addressing, you know, the removal of legacy
20 regulations from incumbents in some cases.
21 MR. GAILEY: But I would caution that
22 you don't incent competition just for

competition's sake, because there are areas where it makes sense to have a monopoly -- a regulated monopoly providing the services that they are providing, because it doesn't make a whole lot of sense to provide USF money to competitors based on somebody else's costs, when their cost structure may be entirely different.

MR. REED: Now, Mark, that brings me to a question. We've talked about underserved areas, but your focus being rural, let's talk about the definition of unserved areas and perhaps the issue that you raise in terms of some regulated monopolies being appropriate is relevant to that, if you can comment on that.

MR. GAILEY: Surely. My company serves three customers per mile. It doesn't really make sense to provide monies or funding for two companies to serve one and a half customers per mile.

Our total customer base, telco wise, is, as I said earlier, is around 3,000. Our total customer base, DSL wise, is just over a thousand.

So OPASCO filed early on, when the stimulus was being worked, we filed early on that unserved was anything under 600 and -- or 768K; underserved was anything under 12 megabits.

MR. REED: We just have a few more minutes. I know that we have a shy audience. I was asking for names on the cards. I got none.

So these will be asked in anonymity. The one question I have is broadband over power lines a viable option for underserved communities? Anyone? Or I'll pick.

MS. JOHNS: I'm not an engineer. I just want to say that right up front. But I think that's one area where perhaps more data would be needed. We need to see more hard numbers with regard to the test areas that were developed.

MR. REED: Is it a situation that there's no one size fits all for a number of the communities that we're talking about?

MR. McNEIL: Absolutely, because the adoption, availability it's going to be -- need to be tailored to each individual community. There

is no one size fits all.

And in terms of the broadband over power lines, when we speak to different communities and different engineering firms and so forth, you get such varying answers.

Some say it's the panacea to our problems, and some say that there is major usage problems with that.

So we're going to need more information.

MR. GAILEY: Some of the -- I'm sorry. Go ahead.

MR. FERREIRA: Oh, well, I would say that generally speaking, whether it's that or pretty much any major issue regarding broadband deployment, one thing that we would promote is that there needs to be better data.

There's generally inadequate data to be able to help you as regulators, to help Congress as policymakers. There is an incomplete picture of what broadband service is available and at what speeds and at what prices.

On a federal level, the FCC here in

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March '08 adopted a pretty detailed data collection protocol we would promote, and since then, Congress also passed and the Broadband Data Improvement Act requirements for FCC data collection.

A lot of this information is going to be useful. And now, with the census requirement for the collection of that data, it will go a very long way towards -- we would like to think that a national broadband plan can be an evolving, organic process, and as this data keeps coming in that it can evolve with time.

MR. GAILEY: But as a small business who's under that requirement, we had to revamp our billing processes so that we could report the data on the level that they were asking.

We were reporting it originally on the ZIP code level, which we maintain in our database. As a 20-employee company with four service reps who deal with the consumers, it was difficult for us to implement the processes that were needed to report it on that granular of a level.

MR. REED: Well, you know what? We've gone a little bit over, but obviously we only scratched the surface of this panel. I'd like to thank everybody for participating. I look forward to working with all of you, you know, going forward.

If you have any closing remarks, but otherwise we're going to move on to the next panel in a couple minutes.

Okay.

MR. GAILEY: Thank you.

(Applause)

MR. REED: Welcome back. I'd like to welcome you all to the second panel in the afternoon.

This panel is dealing with what we call hard broadband. These are folks who are in the business of providing broadband, and first on our panel is Anthony Washington, who's the CEO of Destiny Broadband.

Mr. Washington will address the need for establishing technology training centers, TTC,

aimed at SDBs and tailoring the training to address the diverse needs of such businesses in cost-effective manners.

MR. WASHINGTON: Thank you. Can everyone here me? Okay. Not by us. All right. Thank you.

It's a very interesting subject we have here -- technology training centers. What in the world is that?

I often like to say that the Internet did not come with instructions, and there's some assembly required.

That means that certain times we think that if we just put a computer in front of people and say surf the Internet, and use broadband that they're going to know what to do.

And so many users of the Internet are social participants and not utilizers of the Internet as a true tool for economic empowerment.

A couple quick facts: Did you know that it took radio 38 years to obtain 50 million listeners? It took TV over 13 years to obtain 50

million viewers. It took the Internet just five years to obtain 50 million users.

It took the i-Pod three years to obtain 50 million users. It took Facebook two years to obtain 50 million users.

And did you know that a YouTube video can be in front of 50 million viewers within three minutes of being uploaded?

The moral of the story is the world is getting smaller by the second.

When I was small, my Internet was a set of World Book encyclopedias, and my mom would scrounge together her $25 every week to go to Safeway to pick up the next version. And I would be mad at my mom if she would miss a week because in essence you had missed a letter in the alphabet.

In that part of the world -- if you missed a letter "E" volume -- that part of the world you were out of, and you didn't want to be left out of what was going on in the world and under the section of "E."

My, how the world has changed today. We have much more than the World Book Encyclopedia at our fingertips. But still, there's 42 million low-income people who don't know how to take advantage of it.

More than half of those people, if they did know how to take advantage of it, would not be low-income. Think how big of a swing that is: 21 million people moving income classes come from lower to possible middle-income, to possibly upper-income families.

That's a huge change. So I said all that to say this: How in the world do we make the Internet something that people can utilize? I didn't come all the way to D.C. To tell you how we can get more people on Facebook. I didn't come to D.C. to tell you how we can more than the 200 already -- 200 million already users on a MySpace.

The key about broadband is changing lives. It's economic empowerment of anyone who knows how to utilize it.

Kind of three important points here when

we talk about technical training centers, and these are going to be very, very important points that I want you to remember.

Number one, the Internet, or broadband, is not just a toy. It's not something you open up on Christmas morning, and it's fun to play with. It's something that can change lives, which I've already alluded to a little bit.

Number two, we need to find a way to remove the hurdles of accessing the Internet. Those hurdles involve infrastructure, and they involve investment. And we'll get to that in just a minute.

And number three, we need to have a way of having tactical education via these training centers and remote learning programs to allow people to learn how to utilize the Internet as a daily tool in their lives, and not just something that's fun for the kids to type on, not something that's fun to e-mail with, but something that can be used in everyday life.

It's almost like Internet is addictive.

As soon as it becomes part of your daily life, you can't figure out how to function without it.

When you look around -- and I'm not trying to call anyone out here -- but there are certain people who are text paging or maybe looking at their phones, because it's a way of life. It's key.

I did the same thing when I was just listening a little bit earlier. You cannot stop. It's pretty, pretty interesting how when you start to integrate this into your life, you realize how important of a tool it can be, and it's not just a toy.

So let's start with the first point: The Internet is not just a toy.

This involves changing our mindset. A lot of times we think about a pair of shoes as something that's just a fashion statement. But Michael Jordan used his pair of shoes in a little bit different way.

He kind of mentioned that when he was growing up, and they didn't have money for him to

go out and buy shoes after shoes after shoes, and sometimes he would play in some of the most worst shoes you could ever think of until where the sole was -- his foot was burning through the sole.

But he used those shoes for a different purpose. And it wasn't a fashion statement. It was a tool to get him where he wanted to be in life.

The Internet is the same thing, using it as a tool, changing our mindset, figuring out how to use broadband as a method of improving our lives.

A good example: How in the world can I start a business? And you have people out here dreaming and I think we all have family members who come with new ideas about how to start a new business or here's a wonderful opportunity.

But too many ideas stop at just being ideas. There's no attempt at making them a reality.

There's no understanding of how the Internet or broadband can make these things

1 happen. Did you know I can sit here and start a
2 tax-preparation business on the Internet -- no
3 money out of my pocket in an hour and have a web
4 presence?
5 Did you know one of the key things
6 keeping people from utilizing the Internet is not
7 having a credit card?
8 It's not always about convenience or
9 putting a laptop or a desktop in someone's home.
10 It's about thinking about the simple things that
11 need to be in hand to make the tool a reality.
12 Investment. What are some of the
13 hurdles that are going to get us to have more
14 people utilize the Internet? There's some
15 interesting things here.
16 Infrastructure. When we talk about
17 unserved communities, part of the problem of the
18 community I'm in is not that it's un -- really
19 unserved. There's infrastructure there. There's
20 a place for people to hook up.
21 The problem is is that the service is so
22 high- priced that after that introductory period

is over, it's unaffordable. After my $9.99 a month rate runs out, I can't afford it anymore.

There's places in rural America where people are paying over $125 a month just to access the Internet, and it's at sub-standard transmission rates.

Those things have got to change. So when we talk about having service available to you but you can't afford it, then in essence you are an unserved area, because you can't take part in that opportunity.

Thereby comes the investment. We have to find a way to start investing in opportunities in ways that are going to put the Internet in people's hands. I'm not always talking about putting it at someone's desktop.

I mean technological training centers where you start to put things or put places in the community, or places where people can go to learn how to use the Internet. I'm not talking about an Internet café.

I'm talking about a place that gives

people a chance to learn about how to use the Internet.

A good example: They once did a survey asking a few different people in various groups I was -- United Way, Salvation Army, (inaudible) basketball leagues and things like that. What's one of the things that you would like to do that you most can't right now, using technology, of course?

And I got an array of answers. But one of the common answers that I got was, I want to improve my life. I want to improve the lifestyle for my kids that were living. It didn't necessarily mean moving out of a certain neighborhood, moving into a different house or anything like that.

But I want to make a way where my kids know that they have more than what -- they had more of an opportunity than what they see around them.

Remember when I mentioned that the world was getting smaller by the second? Not for kids

who don't have connection to that world.

For people who don't have connection to outside of the neighborhood, the world is their neighborhood. And the opportunities only go so far.

I work with a young man named Ricky Revels, and he's deceased right now. But at that time period when I started to work with him, he wanted to be an architect.

And we went through the details of what it would take to be an architect. We talked about the education, the training, and all those different things.

And he realized what it would take to be an architect, and his first response was, "I can't do that. No one around here is doing that. I don't know anyone who has done that."

And because he couldn't see past his front doorstep, his hope was lost.

I'm talking about real people who have real problems that the Internet and broadband can solve just by offering more opportunities, putting

more opportunities in the hands of our youngsters.

Did you know that today's kids are training for jobs that have not been created yet? Did you know the top jobs in demand related to technology were not in existence 10 years ago?

The world is changing. We have to find a way to help our neighborhoods and our populations change with it.

So when we talk about a technology training center, this is something that's very interesting here. There are a million places we can place these centers.

By a show of hands, how many people in here drive by shopping centers that used to be full, but now they have plenty of blank places? There's a lot.

There's a lot of storefronts that have closed down. Believe it or not, part of that is because of the Internet; part of that is because people see a cheaper way to go out and purchase goods, and they're no longer going down the street to purchase goods from people who live in the

community.

Unfortunately, that's one of the negative parts of broadband right there. But if we begin to instill more of a sense of entrepreneurship, then these people who have shut down storefronts are going to figure out different ways to make a living.

A lot of times we think about small businesses as suddenly a way of getting rich quick. And it's not that.

For myself, a small business has been nothing more than an initially a drain on my income that I have from working a nine to five job. And finally, somehow, and when we keep working towards it, finally, that small business begins to add some type of supplemental income.

But I don't know too many people who have started a small business have been able to quit their regular job instantly.

We're talking about a process of changing lives. It's not going to happen overnight. It's a process.

And so, when we get into doing things such as teaching people in these training centers, setting up these storefronts and teaching people in these training centers how to search for a job on the Internet, how to build an Internet presence almost for free; being able to help them fund their Internet presence by saying, okay, I understand you don't have a credit card, but go down to Wal-Mart and get a money order and bring it back. And we have a way here of paying this for you using that money order.

We can make it happen. We can show you how to make it happen. This is called technical education for broadband.

As I said at the beginning, some assembly is required, and there are no instructions in the box.

So a technical training center is nothing more than a storefront set up in a shopping center or a public library or an occasional meeting held by a small group in a restaurant's banquet facility that shows people

how to utilize the Internet for economic empowerment.

So we can talk a little bit more about this later. I'd be happy to talk with you off-line, but I know my time is running out.

But technological training centers is a way that we can put the Internet in front of people that may not necessarily be bringing it to their doorstep, but it's going to be a way of empowering our communities with additional opportunity. Thank you.

MR. REED: Thank you, Mr. Washington. Our next speaker is -- and I hope I get the name right -- Mr. Hung Nguyen, who is the proposal manager for HCI Integrated Solutions.

Mr. Nguyen will discuss how broadband technology has been a boon to some small businesses and how the lack of broadband has hindered others.

MR. HGUYEN: Thank you. Thank you for having us here today. Let me tell you a little bit about HCI, the company I work with.

HCI Integrated Solutions is a service-disabled company. We've been around -- we're a small disadvantaged, so we fit all the profile that we're talking about today of a small business having access to the Internet and the opportunities out there.

We employ about 230 folks around the world, at 22 installations. And so, obviously, with that being said, there is a communication need, and we have to find some way of talking to each other in real time.

We're an ISO organization, certified, so we -- in order to grow and in order to exist, we have a lot of processes that we have to run in order to make sure that we have timely deliveries.

We focus in the areas of IT, training, and logistics. We provide a lot of services to the federal government as well as to the Department of Army, Reserves, and other branches of the military.

So that kind of gives you that we are doing work around the country. So, with that

being said, we're a unique entity in terms of how the Internet and broadband has helped our company and others to succeed.

And one of the reasons -- one of the things about broadband that's very important is for us to kind of consider the cost, and everybody else has already talked about today about access and also the different types of bandwidth, for lack of better speed -- question -- well, lack of better speed.

And to play on that word, because there's a difference between a dial-up. There's a difference between accessing the Internet via your wireless cell phone. And then there's a difference between being connected via a T- 1, you have the fastest -- almost the fastest speed.

And depending on the capacity of small business, not all small businesses can afford any of these different bandwidths.

And so that has an impact on a company's ability to function, communicate, and also to grow its business.

We, as an IT company, are focused in on delivering, responding to proposals to the federal government and to other commercial entities.

How does access to broadband obviously help us? Let me give it to you in a very simple example. We're currently working on a proposal opportunity.

We're here on the East Coast, and we have to submit this to Alaska. So, obviously, it's not something I can just drive down the road to deliver.

So we -- and it's not something I can just take a chance and do a same-day delivery or even one-day delivery. So, in order for me to respond, our company to respond to such a proposal, we have to send it out to or three days in advance to ensure that it gets to where it's supposed to get to.

The reason I share that is it wouldn't be such a problem if I could just e-mail the files to them. Often times small businesses don't have the capacity and resources to one, drive down the

street to deliver a package; or even the resources to mail it overnight to make sure it gets on time, depending on the length of the opportunity.

If it's a month, perhaps there's time. But if it's a one-week turnaround and folks are busy being billable and spending their nights working on these projects, there's not enough sufficient time to respond to these opportunities.

So, ideally, if broadband is there for us to access, but I think on the other end, the receiving end, is also acceptable and amenable to receiving online packages and electronically I think that would help small business grow.

The other thing is broadband I think, for lack of a better word, is environmentally friendly. If I were to be able to e-mail a document, let's say to the federal government in response to an RFP, request for proposal, I can quickly send it by the due date.

Whereas, if the entity requests that I send hard copies, as in this example, I have to -- you know, there's three volumes. One volume is

only one page or two pages, at most, but I still have to create three binders worth and five copies of it.

So there I'm wasting a lot of ink. Then I also have to burn CDs. I also have to prepare the materials and the packaging for something that I could have just as easily e-mailed.

And I'm not picking on any particular government or anything like that. But it is a good example of how we can be more efficient in our processes.

So we can talk about broadband, but it is a tool. But beyond just having it as a tool and having access, can we use it properly so that way we can be more effective and efficient with it.

The other thing about communications is with our company where we have a lot of individuals at different sites locations it's important for us to communicate with one another, to have training, for example, because of the nature of sexual harassment or security protocols

or just annual reviews and trainings, it's easy for us to disseminate this via broadband, via the Internet, so that way folks can just log on, do the training.

We see that they're verify that they've done the training, and we move on versus it becomes a whole complicated mess where we have to send out DVDs; make sure everybody watches it; fills out form.

So there's a lot of extra overhead. So I'm using that as a practical example of where that could be a hindrance to small businesses and their development.

Also, at the same time, most folks who have small businesses need to collaborate with other folks who may not be physically present with them. I may, for example, have to reach out to a subject matter expert out in Hawaii, which there's a time difference. Whereas, the person could be working on it at one time period, when I'm asleep, and by the time I wake up, I can respond to the rest and fill it out.

So there's a collaboration effort right there, and that's something that we should also consider in terms of small businesses.

What -- how can it increase our productivity? We joke around about cell phones and text messaging, but at the same time, there are certain protocols, and that also allows us to be able to respond to something while we're sitting in a meeting such as this.

But not everybody, for example, can afford to pay those phone bills, to have wireless connection and having Blackberries, et cetera.

So there are prices to doing business. The other example that I would like to throw out for small businesses that can be hindrances, often -- I don't know about any of you, but I've experienced times where I've sent something in the mail and somehow it's gotten lost in the mail.

Whereas, if I sent it via e-mail, if they didn't get it, I can send it again, and there might be a timestamp from when I sent the previous e-mail.

Whereas if it got lost in the mail, there's a lot of phone calls, and sometimes, depending on the customer service at any of these entities that we work with, it may or may not be there.

And we may have to resend our materials again. And, again, we may -- we hope that it's going to get there on time.

With that also being said, depending on the opportunities, one can send in a proposal, for example, to grow our business, but, as a matter of fact, the government might have from that particular agency might have a stipulation there that we do not guarantee because of heightened securities these days that this package will get to us on time.

So as a small business, with a one-week turnaround, let's say Monday to Friday, I work on it all week. I send it on a Thursday hoping that it will get Fedexed overnight, but there's stipulations that it may not get there on time.

So I may have to actually physically

drive it there, but obviously the advantage is for companies and normally it's larger companies who have the resources and human resources to physically deliver these things.

Whereas, a small business, again, if I'm a business owner, and in this case I'm the proposal manager, if I'm working on multiple projects, I cannot physically drive something to every location.

One, it takes time and traffic. But it also takes away my ability to respond to other opportunities to grow the business.

And so that are concrete examples, I think, of how broadband can exist, can support a small business to grow if we do a lot of communication online. It can direct the communication to the proper channels. That way things don't get lost in communication, which oftentimes is an excuse, and sometimes to the non-benefit of small businesses.

The other thing about small businesses that I think we're all at very different levels

and sophistication and usage of our technologies. Some are online all 24 by seven. Some have Blackberries. Others are just barely accessing the Internet just to check e-mails.

So we have to that, and I think there's plenty of room for growth and education. There are systems and tools out there where we can keep track of -- client-relationship management tools -- where we keep track of our opportunities, keep track of the people we communicate with, so it doesn't -- we're not necessarily tied down to any one particular computer, but we can be traveling so we can still access that same information while we are at a hotel attending a conference.

We don't have to bring our laptops and our data sets with us. So those are things that can or cannot help a company depending on our sophistication.

But ultimately, we can sit here and talk about one, access; two, the Internet to broadband, to the conversation about bandwidth. Do we have the proper bandwidth to communicate and so that

way our things don't get bouncing back and forth.

But thirdly, somebody already mentioned it earlier, is the opportunities. We can talk about all these things, but without the proper opportunities for us to respond to, this is nebulous. It's kind of pointless.

We can all be on the Internet. We can all have Blackberries, but if the opportunities are still not fairly being provided to small businesses, then anything we say or do may not really get us further on.

MR. REED: Thank you, Mr. Nguyen. Our next panelist is Todd Flemming. He's the President and CEO Infrasafe, Inc. Mr. Flemming will discuss how broadband has transformed his small security business into a major player in the Orlando, Florida region and how innovations and strategic broadband marketing decisions have kept his business one step ahead of his competitors.

MR. FLEMMING: Good afternoon, and thank you very much for having me.

I wanted to spend a little bit of time

sharing a few stories. It's a very interesting panel so far, and I think really what it comes down to it's all about opportunity.

This past year, we started our fourth business. And primarily I spent most of my career providing electronic security products and services.

Our current business, Infrasafe, provides electronic security services through Advanta to the federal government, and then we also have a new business we call Veristream, though it -- which provide software as a service product security products and services, primarily to the commercial sector.

You know, in the first business I started, it was quite a bit -- it was interesting. It was pre-Internet, if you will, in 1989, and starting a business then was quite a bit different than it is today.

The Internet and broadband access has really made quite a bit of difference as far as how you go about and do business, and the amount

of money it requires to start and devise a business and the types of products and services.

And, you know, these are probably some of the times that provide some of the greatest opportunities to sort of level the competitive playing field.

So it really is about providing, you know, opportunity and equal opportunity for people to come up with good business ideas and be able to start and create businesses.

Today, you know, I'd like to talk about a couple things briefly is one is how the Internet has improved how we operate our business and our business processes, and then the other part is really the -- some of the products and services that we've developed that really are broadband Internet connectivity is vital to being able to deliver those products and services.

First of all, you know, we have the access to a lot of things that when we first started business, you'd have to buy software. You'd have to put it on a server. You'd have to

have a lot of people to maintain it.

And it was fairly prohibitive for us to have access to some products and services that really only big businesses had available to them.

Today, that opportunity is different. We can diversify our business throughout the entire world. We can talk to our folks, if we need to, via IP telephony very cost-effectively, whereas, before, a phone call might cost, you know, $50, or a hundred dollars. We can do that for pennies today, if not free in some cases, using IP telephony.

And our business has expanded that way. It used to be a business would expand geographically in one place.

Today, the biggest parts of growth in our business, and last year we added about 40 employees, were outside of the Orlando area, in other areas of the country. And that's been made possible largely because we can communicate very well with people operating in diverse geographic areas via both e-mail and also IP telephony.

In addition to that, you know, we manage our customer relationships using software as a service products -- for example, Salesforce.com is one of the products we use to manage our sales force.

And it has features that really at one time were only available to very, very large companies, and now cost- effectively you can get some of those things for smaller companies.

Of course, our e-mail, we no longer, you know, have our e-mail servers in-house. We rely on a service provider because it's -- where down in Orlando, Florida, and we started thinking about emergency and disaster recovery and, you know, if the servers aren't there and are people who are in California and maybe in Korea or other parts of the world providing products and services we don't want to have them not have access to our e-mail system, if, for example, we're under the threat of a hurricane in Florida.

And that makes that possible. Our -- even our time and expense management systems are

now all online systems. A lot of those systems we simply subscribe to the service. And in addition to that, our travel systems also are conducted that way as well.

So if we provide our people in the field good access to broadband technology, they can have access to our systems very safely and reliably.

The other part that has made quite a bit of difference is in the commercial sector we developed recently software as a service product that allows customers to manage visitors and contractors online.

So interestingly enough, we found that we suddenly had a market for very large companies that really didn't want to spend a lot of time managing that software, and so we have some very large global clients that basically we manage their visitor traffic and all they really need is a good Internet connection and we ensure that we can provide them a safe connection to our systems.

So they can pre-register a visitor, and, just as you sign in here using paper, basically we

can do that type of thing completely automated and online in addition to do some interim screening through various databases if need be. For example, a school system might register a visitor and screen against a sexual predators database before admitting a visitor.

And these are products and services that we could have never provided in that capacity before. First of all, it gives us the opportunity to compete with larger companies. And second of all, you know, we can provide -- we deployed a number of systems for General Electric in Bangalore, India, and we can compete effectively all over the globe, where, you know, just a few years ago that would have been very difficult for us to do.

And deployment is very rapid, and economically it's been very successful for us.

And then as far as expanding physical security products and services, the better broadband and the more affordable broadband connectivity that's available, the other -- more

services we can provide for intrusion detection, video surveillance, and access to those technologies to all types of businesses.

So I think, interestingly enough, the greatest opportunities are available ahead of us provided that we make broadband services available to more people.

I spend a good bit of time in a home. We have about an hour and -- about 55 miles from here, and we don't have, you know, high-speed, reliable broadband connectivity.

So I have to drive in through traffic so I can get to a point where I have an office where I can get on my IP phone and I can talk to our main office and connect reliably and do videoconferencing and some of the other things that we find reliable.

But I also think there's an opportunity for people in rural and also underserved areas who have great business ideas to be able to cost effectively -- more than any other time in history -- cost effectively start businesses, grow

businesses, come up with innovative, creative ideas, and good broadband connectivity really is what makes that possible.

That said, the people have to learn how to use it. And, you know, I was inspired by Anthony's comments that you really have to train people, you know, how to use the technology and, more importantly, how to use the technology in starting a business. You know, what can I do and how can I do it and what opportunities are available?

It's no surprise that, you know, as broadband deployment became more widely available, that those areas with the highest levels of broadband deployment had the greatest economic growth.

And I think as a country that also would allow us to be much, much more competitive. The higher level of broadband penetration we have throughout the country, the higher level of economic growth we'll inevitably have.

I know that comes with a cost. And

there's some economic considerations, but that said, I think some of the greatest opportunities for economic growth and expansion and entrepreneurial business development are ahead of us. And being able to allow the greatest number of people access to those opportunities potentially will help us quite a bit.

MR. REED: Thank you. Mr. J.C. Coles is the President and CEO of Broadband Solutions.

Mr. Coles is going to discuss how his company works with underserved and unserved SDBs by providing tailored broadband capacity which integrates fiber optics and wireless to fit the existing and expanding needs of its customers.

MR. COLES: Thank you. Thank all of you for letting me be here today, and I see this paragraph and I'm -- how I'm supposed to explain how we operate with all the -- our customers worldwide with different things.

But I think I'm going to go a little bit into what all of us have done, and talked about our personal experiences, and how has it affected

us the entire time.

The company, by the way, we call it BITS. It's Broadband Interstate Telecom Services, which is a subsidiary of Interstate Telecom, and I'll get to that in a minute.

I started out in the telephone business back in 1979. I was director of marketing and government affairs for OKI Telecom. For those of you who don't know what OKI Telecom is, it was a Japanese-owned company. It belonged to the Fujitsu Syndicate, which was subsidized by the Japanese government in order to do business here in the United States.

I controlled marketing for the whole United States, South America, and Africa.

During that time, we, of course, manufactured PBX systems, and you probably know them by Okidata, but mainly I dealt with the PBX systems and the most important thing was the cellular telephone.

At that time in 1982 and 1983, we built a plant in Atlanta that was totally controlled by

robotics. It operated 24-hours a day with just about 20 people in there.

The robots could - the robots did everything -- completed the whole phone. And, of course, we manufactured a lot of parts for Motorola and other folks as well.

But if you remember back then, back in '82, '83, a lot of people couldn't afford a cellular telephone. In fact, most of your cellular telephones had to be in your car. A lot of people didn't have cars.

And those of whom who could afford the telephone that weighed 22 pounds in a suitcase that cost anywhere from $7,000 to $10,000. Why it weighed 22 pounds? Because it was 22 pounds of NiCad batteries. All right.

That evolution is where we are right now with broadband. A lot of people can't afford it. Okay?

As we went on, and I went on to my own business, I've gone through the whole gamut, through equal access and the pay phone technology

and the-and being a reseller for local lines and the reseller for cellular. That was after the payphones.

But I'm going to say the main thing is pay phones. My pay phone service is interstate. And how we got into the pay phone business -- and, like he had mentioned earlier -- a lot of it is because of opportunity, cost, and trying to be productive.

What that means is trying to say in business. Don't go bankrupt through osmosis. All right.

Now in the payphone business, at one time, we probably had about 20,000 payphones all throughout the United States. As time went on, what happened next? Payphones weren't -- nobody wanted to use them. Everybody went to cellular.

I brought mine out. I carry four. Here's two of them right here, and there's another one here. My other Treo is at home, but that's the one I usually use when I'm overseas because it has an antennae to it and I have better

connectivity.

I use this to talk on, and I use these two for Internet access; okay? I don't have the Facebook, all the other things. All right?

But a lot of people can't afford those things that all of us have access to right now.

Now in reference to the payphone business, I'll give you an example. Most of my phones -- if you've ever been in an airport, I have had a lot of them. Right now, you know, we went from 20,000 down to maybe 6,000 or 7,000 now.

And anybody travel on Delta, in a Delta Crown room or a Red Carpet room? Those are all my phones. Been there for over 12 years, along with other places.

Everybody stopped using them. They stopped using them because they got they cell phone; okay? So in other me paying $80 a month and another $80 a month for insurance just in case somebody got shot or drop the phone -- in one case, in the Wayne County, somebody hung himself with one of my cords in a jail. All right? And

we got sued about that.

We changed. We had to start providing Internet services, and a lot of it was at the airports. Okay?

Where we provide the boxes, and where we would provide an access line, and we really couldn't charge that much money for it. Okay?

And then we started getting into some of the rural areas like in California. We just took over another facility in Orlando. We had telephones in Orlando where a guy, individual, had them on the concourses, and the airport asked us to take those over because he couldn't sustain them.

And I'll get into that a little bit later, too, because one of the things that in reference to our business, particularly broadband services, is your value- added services. And remember that word that I said, value- added services. And we'll talk about that a little later as well.

But anyway, we started providing these

services in these rural areas because we had coffee shops that had our payphones, and we had a gasoline station that had our payphones. But everybody wanted to start utilizing Internet.

So some type of way we had to provide that Internet, and they asked us to provide the Internet to them. And we would start doing it by virtue of a lot of different things -- putting up a satellite tower or a satellite dish or through the telephone lines or maybe in some cases where it was cost effective by doing it through a fiber optic line.

When we started wanting to go to some of these cities, I heard a gentleman talk about the Conference of Black Mayors, you know, I got my start by dealing with some of these municipalities, counties, and cities back in the early '80s with my businesses.

And I remember when we were dealing with the National Conference of Black Mayors, you know, it was maybe about a 90 black, you know, minority cities with black mayors and some of them, you

know, a lot of them had like Atlanta, where you had 400,000 or 500,000 people, but a lot of them only had 400 people, where they didn't have the tax structure in order to even just to buy toilet paper or paper, you know, fax paper.

That hasn't changed. These cities now don't have the broadband in order to do the other things. So a lot of it has to do with economics, getting back to value-added services.

All right so as the time go on and we want to go into the cities, it's difficult for us to say let me go to a city -- let's say a city in Alabama that has 14,000 people, a county that has 25,000 people, and you're only going to have two or three customers every mile.

If you want to do it by virtue of the fact they're doing it over power lines extremely expensive, because you have to maintain that current through that power line that you need repeaters. Those repeaters are expensive.

You're a small guy like me trying to make it, trying to go through -- once again,

osmosis opportunity costs of being productive, you can't maintain that with people who can barely afford it.

If I'm spending $200 or $300 a month per customer, and they can only pay me $30, it doesn't work. It doesn't work at all. Okay?

So slowly but surely, the cost has gone down. Why is the cost down?

As we change in the -- you know, when you think about the cellular business and that phone that didn't require a wire went down, now you can go buy one for $59.99. Back then, it was almost $7,000 or $8,000 in the early '80s.

The cellular companies changed; okay? The cost of the phone went down, but they increased possibly the cost of the service.

How do they increase the cost of the service? It used to be they charged you $0.35 a minute.

Now they put you in a contract, make you sign up for two years. You break that contract they're going to charge you for the whole time you

were in there, and then only give you so many different services per month, and if you, say, like you want to do texting -- well, you can get it for $19.99; all right? You got 500 texts. Go to 501. It's $0.35 a text, and you don't even realize what's going on, you know, because you're talking to your kids, talking to your family or talking to your boss or whatever.

So they value-added services where they can continue to be able to charge you.

The other thing in reference to value-added services where we don't have the advantage is, of course, the AT&T's, the Verizons, the Comcasts, all those of the world, they're able to bring you now with the new technology of digital, voice, and video going over the same line; okay?

Their being able to have one line go to your house and give you all the services. They tell you it's bundled services now. But what is happening is where they're charging you for each one, but they still only have the same cost of

bringing that to your house.

We can't do that; okay? I wanted to get back to -- remember what I said about the Japanese company, OKI Telecom, which we did $2 billion a year. We were subsidized by the government of Japan.

Now that's one example of how through opportunity we got into that. And I'm going to talk about some of the disadvantages -- how one customer we had that in the cellular business in an African country -- well, I don't even mind telling you about it -- it's Ghana.

We went into the government in the cellular business in 1999; did that through another company. That was my telecom that I owned.

One of the things through osmosis and opportunity, we realized in dealing with the President Jerry Rollins that they had this -- Ghana is about the size of Georgia, probably about 6 million people. And 2 million or 3 million live in Accra. The rest live out in the areas where

there wasn't even a road to go there, or if it was a road, it was a dirt road, okay, as it was narrow as that -- this aisle right here.

Well, there were a lot of people out there that weren't educated. They receive no educational training. So we made a deal that we would go ahead and provide distance learning by virtue of Internet, broadband, microwave, and satellite.

What saved me is I had access -- 30 ports to a Telenor Satellite which sat over the middle of Africa, and we did it -- and we had with great difficulty, too, because, you with microwave and satellite, you always had another problem. It wasn't so much the lack of money, because we didn't charge them anything.

They had to have the power in order to operate the systems that we needed. And that same power they had problems with in Accra. So we had to change and had to improvise some of the things that we were doing in order to provide that service.

And then there was the training aspect of it. You know, we were teaching them -- well, first of all, they didn't have the teachers to go around to all these different areas to train these kids just in A, B, C's, from kindergarten all up to 12th grade.

And they would have a teacher would be in one community or a village one month, and another one the next week and the next week, and they would travel.

So we said we would try to do it by virtue of the way of television, Internet, broadband, so on and so forth. Then we had to go in there and we had to train them on how to be able to utilize those services. And maintain it.

But our biggest problem was, of course, the lack of training, the lack of power, and the understanding of how to develop it. Those are the same things that are happening here in the United States, okay, when we go into some of these rural areas.

The larger companies, the AT&Ts, the

Comcast -- everybody know the AT&T is in the telephone business now. It just started because the SEC and other folks had allowed them to do their -- to get into it.

They can provide telephone service through the telephone line now. And now they're competing with the Comcasts of the world as far as the cable service, the Direct TV, and all the other type of providers out there.

We have to find a way where we can have value- added services and to help these smaller companies, like all the ones that are here, in an attempt to be able to provide that last mile.

And as technology changes and as it gets cheaper, we're going to be able to do it. But how many generations of people are we going to lose while we're waiting on that?

Those same people that we're trying to provide broadband service still can't afford the cellular telephone that most of us have two or three of them in our homes.

That's all I had to say right now. I

hope that was enough for a day.

MR. REED: Thank you. Thank you. You know, I'm going to jump right into a couple of questions we got from the Internet. And this is to all the panelists. It's from Gladys Maldonado, and she asks, "Do you think the government will help promote the provision of telecommunications service in underserved areas or should market forces promote the provision of services in underserved areas?"

That's open to anybody.

MR. FLEMMING: Well, I think the problem with market forces is that it's economically probably not going to be viable without some subsidiary to make that happen. It's very expensive, as we've heard from some of the other panelists, to provide broadband services in some underserved areas.

And without, and I mean they had to do that with copper lines, you know, when plain old telephony basically first emerged is you had to subsidize rural areas to provide

telecommunications to everyone.

And I think to provide broadband services to everyone for underserved and underutilized areas to make it economically viable the government is going to have to put some money in.

MR. COLES: I agree with that. In order for us to go into these rural areas, you know, it's built on cost. I don't always say more money. It's really the lack of money that the reasons why we're not there, okay, because we can't afford to be there.

Now in reference to government, I don't want to see the government throw a lot of money into areas that it may not ever work, but maybe we can start doing more -- the government can intervene as far as private and public partnerships, okay, where there are some incentives between the larger companies who have those value-added services and can pay for a lot of different things over one line are working with these smaller cities or governments, okay?

Induced maybe. Tax incentives maybe.
Public-private partnerships.

MR. REED: Okay. That kind of dovetails into the next question, which is the NTI and the RUS have some stimulus resources at their disposal. How do we insure that small businesses, rural businesses, women and minority-owned businesses are a part of the deployment process going forward?

What thoughts do you have on that?

MR. HGUYEN: Well, if I may jump in on this, I think part of it is to have an honest -- when you say have small businesses and these different entities participate is to actually be honest about it, to invite them to the tables, to make sure that the proposals get to them, in their hands for their -- for them to evaluate.

In terms of evaluation factors, perhaps to have extra points for partnerships, whether it's a large company who may have a capacity who is working with a small business and they had that partnership for them to get points and to really

say that those small businesses who are part of that team will get work.

I often times have experience where a lot of opportunities large businesses bring in small businesses. It looks good. It reads well, but when time comes to the money being doled out, I still hear a lot of folks asking the question, where's the money?

And so for it to really fairly be given out, or maybe the opposite might be to have a small business be the prime, where they may not have the capacity, let them bring in the larger businesses who subcontract to them, so you definitely know that small businesses are now getting the contract, and if they fail, then they fail.

But at least they're bringing in the right partnerships, and so I think that might one -- an approach.

MR. REED: Okay. Anyone else want to comment on that?

MR. FLEMMING: Well, you know, there's

clearly a lot of work that needs to be done in the Federal Acquisition Regulations as it relates to small and disadvantaged businesses.

And, you know, I think in concert with some revisiting some of those things it would make sense in, you know, the set-asides that might be available for deployment for small and disadvantaged businesses to take a good hard look.

I mean it's going to take a hard -- you know, a lot of hard work, which is really sort of I think separate and aside. I mean I think it's an overall federal government problem, not just an FCC broadband deployment issue.

And I think if they can come up with some good solutions, the FCC could make some recommendations to use some of those well developed solutions for making sure that contracts are allocated to small and disadvantaged businesses.

MR. REED: Well, I've got another question from the Internet, and this was directly to Mr. Washington.

This is from Craig Chatterton, and the question is, "In many undeveloped countries, access to telecommunications, including Internet access, is done at kiosks and centers.

Are tech centers viable for ongoing access and usage as well as training? What people will take the time to go to centers?

Libraries come to mind as a convenient and existing location for this purpose. However, budget cuts have reduced hours and services.

Would federal grant funding to assist public libraries in providing these services make a difference, and should this be a priority?"

I can hand you the question.

MR. WASHINGTON: One thing that's key here and when I mentioned about the TTCs, this is the first step in improving our communities. It's not the last. It's one of these ways where we can actually impact people in a quicker manner than what the infrastructure would take to put a computer on each and every doorstep around some of the communities here.

The key thing here is that the people who want the opportunity will seek the opportunity. And so when you put a TTC or a kiosk or something like that in a centralized place that is convenient for people, then they will come out and use that resource.

But the thing I'm talking about is not just putting the technology there. I'm talking about pairing the technology with knowledge, with how to use that technology. I almost call it vocational broadband, to where you're basically learning how to utilize technology with the technology in hand, which is totally different than just putting a kiosk or something out there which almost is like a pay -- a self-paced or pay-per-view service or something like that.

This is actually here's how you can set up a billing system online for your business. Here's how you can have a web presence. Here's how you can incorporate your business, and we can help you do that.

Here's how you can -- here are resources

you can use if you need to have supplemental staffing, and some of them -- a lot of those resources are local.

This is basically bringing the community together through technology linked with knowledge. And that's the difference between this truly and a kiosk or something like that.

MR. REED: We got one final question for the panel. And that is sort of broadly what is the best way to bring broadband access to the most people in the shortest time period?

And I know there may be a multiplicity of answers there when we're talking about different constituent groups, but as best as you can address that question. Please.

MR. WASHINGTON: I think you have, number one, technological hotspots in various neighborhoods. Number two, you begin to target multi-family housing units. This is very, very important.

When we begin to target those housing units, number one, what we do is we conquer the

problem of people who are oftentimes in apartment buildings and certain housing communities cannot add an Internet port. They cannot add a check in a certain room, because they don't own the property.

But when we begin to make deals with those property managers to say, "You know what? We would like to put a wireless network in your apartment building."

And with that wireless network, there's multiple things we can do. We can not only provide residents Internet access, we can improve the security in your apartment building by bringing along a wireless security system with that.

There's all these different things that we can do just by going to the places where we can get the biggest bang for our buck, and multi-family housing units is one. And then we begin to go to community centers, and there's all these different areas where people gather or people live that's more than just a one-stop shop

by going to each person's doorstep.

I know that's needed. I'm just saying this is a progression to get there.

MS. HORTON: Mr. Coles?

MR. COLES: I'm going to agree with him in reference to -- what he's talking about density versus costs.

Okay. In areas where it won't cost -- you know, it becomes cost effective, but another thing that I think that all of us has mentioned, but I'm going to give you an example of it is how about training. How about SAT classes?

How about these kids that are in these housing authorities that don't have access to the ability to take an SAT or those other college entrance exams that are needed in order for you to even attempt to qualify. Let's forget about the fact that you have a grade point average.

There's another litmus test you have to test -- have and that's to pass an SAT test. A lot of these schools don't have that within their -- within the school systems; okay?

A lot of kids can't afford -- a lot of parents can't afford to send their kids to take a class in order to get a better SAT score.

So why can't we utilize the same facilities and the training, other training, not only are we providing them the Internet services, we're showing them how to utilize the Internet services, but showing them how to better themselves so they can be able to go to college and be able to afford it and be able to have -- train their kids in order to take it to the next step.

So I'm talking about educational facilities within these areas as well as the main purpose.

MS. HORTON: Okay. I've got. I'm sorry. Go ahead, Mr. Nguyen.

MR. HGUYEN: Let me also add I think it depends specifically on the demographic group that we're trying to reach out to. Obviously, churches, shopping centers makes sense for some communities, and the reality is a lot of folks,

although we know the Internet is there, a lot of folks still don't know what the Internet is capable of doing.

So I think if we actually have demonstrations, kiosks. Somebody takes a rolling thing out of their car, shows them a whole bunch of equipment -- computers, laptops -- and show how they can do all sorts of things, whether it's plugging in a five dollar camera to a computer to talk to grand mom in China from here, you know, Arlington or whatever with the time zone. They'll see that, oh, this is cost effective. Oh, I can actually participate in the lives of folks now.

And, you know, one program that's out there that's actually working with a lot of folks around the country is AmeriCorps, so perhaps there to tie-in different types of technology components to some of these things where people are already reaching out to the masses around our country. Perhaps there could be a technology component where they can educate them about these cost effective ways.

MR. FLEMMING: And I think the other key is affordability, because, you know, realistically, technologically, you can put broadband access anywhere on the planet if you want to pay enough money.

And if you're going to, you know, for example, the rural areas and provide reasonable penetration in some of the rural areas, you're going to have to subsidize that and make it affordable and likely, as the Chinese have done, wireless-type broadband solutions tend to make the most sense in some of those areas.

MR. REED: I've got one, one last question. And this is from the audience, and it is from -- well, this name is either Maurine or Marcus Liu. Maurine. Okay. There we go.

How did availability of broadband infrastructure influence your decision about locating your business? What's available in your office? That's to the panel.

MR. WASHINGTON: Great question. It's at least in the top two or three. At worst, it's

three. I mean think about this: 19 -- the U.S. Internet users are 19 percent of the world's Internet users -- 19 percent.

When it started out, we were close to 100. Think about this: 19 percent of the world's Internet users are here in America. We're lagging behind.

Only 21 state and local governments use the Internet for some type of job training -- 21 states. That's less than half.

So Internet is important. If I'm going to look at my business somewhere it better have Internet, because my life -- the life of my business is based on my connectivity to this world that's getting smaller and smaller.

MR. FLEMMING: Yeah. I would say that was probably -- that's probably one, two, and three for ours.

We're in the Central Florida Research Park in Orlando, and they do a lot of training for the government there, and they have very good access and fiber directly to our building, which

is -- allows us to have some good robust connectivity, and that's very, very important to us.

MR. COLES: I want to agree. It's very important, but it's also very important to have it at my house. I didn't buy a house because it wasn't there. They didn't have access to the cable or the Internet, and I didn't want to put a dish up there because of it.

MR. REED: Okay. Well, I'd like to thank the panel, our second panel for their time and their comments. Thank you very much.

(Recess)

MR. REED: All right. Welcome back, again. Welcome to our third panel.

And I'm just going to jump right into it. Our first speaker is Warren Brown, CEO of Cakelove, and I mentioned to him earlier I happened to be watching a commercial. I won't name the product, but he was featured -- his company was featured in the commercial. There were other companies I said, well, I think the

other companies were actors.

But your company was the real deal. So we're thrilled to have him here. Mr. Brown will discuss how broadband has transformed and expanded his bakery into a virtual bakery, where inventory, payroll, and other business functions are coordinated in cyberspace. Mr. Brown.

MR. BROWN: Thank you very much. Thank you. Is it on?

MR. REED: Is the mike on?

MR. BROWN: Okay. Thank you very much, Mr. Reed, and good afternoon, everybody. I'm very happy to be here and honored to be here.

I'm just going to speak briefly about how broadband plays a role as a very important tool for Cakelove in our business operations and our ability to project our image and try to control what our images for the public.

By way of background, Cakelove is a retail bakery. We specialize in cakes from scratch. We also make cupcakes, brownies, and cookies, but everything is sweet -- no yeast-risen

doughs.

We are a seven-year-old bakery. I founded it in my apartment when I was practicing law for -- just down the street for Health and Human Services at 3rd and Independence Avenue.

After a hiatus away from practicing law, I opened up the first retail storefront here in the District, and that was in 2002. Now we have seven locations throughout the D.C. and Baltimore area.

The growth has been something that's been a real adventure, and it's easy to say it's been facilitated by broadband and the rise and the onset and the kind of the spread of broadband services.

I can remember when I first began, I was doing, you know, payroll and various things on dial-up, and it would literally take like four hours to get stuff done.

So the best thing that broadband has done is to just speed things up, you know, everywhere, and it's made it possible for me to

really leverage my time in enormous and tremendous ways.

One of the things that we've done recently with broadband as a main tool is to go online with sales of our products. We added a shopping cart and online store to our website at Cakelove.com, and it's helped to just, you know, get the sales into the shops. It's helped by having the phone ring less so that customers can actually help the people who -- sorry, our customer service people can actually help the customers who are in the shops.

It's actually allows me to cut down on payroll a little bit, too. It's just been a command is helped by having the online store. So that's a great thing.

It's also just I think what people expect, too, in this day and age. We also have Podcasts of how to bake different things -- butter cream cookies and cakes -- instructional videos, little webisodes on our web site. And that's been a great thing.

It helps us to project our image and make sure that people know what we do. We've had, for example, 27,000 views of how to make Italian meringue butter cream, which is one of our base butter creams or base products. It's very good stuff, and it's one of those things that you really have to see how it's done in order to understand it.

So the ability for people to play video from something that, you know, we're putting out there helps people understand the value that they're getting when they come to Cakelove whether they're going to make it at home or they just know that that's what they're doing at the bakery.

We do lots of different things on our website by way of, you know, just kind of repeating some of the media. So this television commercial that I'm on right now we have it -- a link from our homepage to You Tube so people can easily see it, and, you know, experience what they may or may not have seen on television.

It's just a great way for us to again

repeat the press that we've received. You know, our website links to, of course, our own press page, and we have a whole scroll of different things we've received.

So it's great, and whenever we're on TV or even our charitable contributions that we do, if we get video or pictures of that, we want to post that on our website so people understand, you know, what we're doing and how much of an impact we try to have in the community.

Let's see. And the last thing just also just a nice place to people have a good look at the different pictures of what we do.

In terms of running the business and business operations and how broadband really affects us, it's made mostly by -- we have a dedicated server now that we post all of our sales numbers to, our payroll, our systems binder is on there.

Someone earlier was talking about how they had to burn a CD and makes lots of copy of their binder and distribute it out. We did the

same thing a couple years ago. We spent time and, you know, about a year; made a four-inch binder of this is how you run a Cakelove, from A to Z.

And as soon as we made it, we realized, oh, we have to update it. And then you got like lots of -- makes lots of copies. It's just difficult. So we just put it all online, and it makes life a lot easier. It's fast and it's efficient.

When it doesn't work, we know immediately, because my staff either calls me or send me an e-mail message somehow. But having our core practices online allows for just fast communication between the shops. I don't have to tell each channel manager like what the different stores are doing in terms of sales. If they want to see it, they can go access it.

And it just makes life easier for me and for them.

I'm not worried about security. I mean we have our, you know, our web guru is protecting us to the extent that we need it, and I think it's

just kind of a general practice.

So we're okay with the security. One thing that I was asking some of my IT techs and stuff like that, like, you know, tell me -- help me understand where broadband really does come into play for Cakelove. And they reminded something that I would have to say that, you know, if I didn't have, you know, my Blackberry and just the broadband capability that this helps deliver, I wouldn't be able to do many, many things. And I can just get a lot of work done by e-mailing when I'm, you know, standing line at the bank or standing in line at the cleaners.

I mean my life just gets made a lot easier by access to broadband.

We make our decisions -- it's not so much based on whether or not broadband is available, because we presume that it is, and when it isn't, we have instant problems and have to go to other vendors.

And one of our shops we just presumed that broadband was available through Verizon. It

wasn't. We had to go through Comcast, and, you know, it's much more expensive for us.

I mean it's paying $90 a month just for the broadband access, whereas, it would be less if we were going with Verizon.

So it's essential, and it helps us to be on a -- present ourselves in a very I think good and positive light to our customers by having broadband access to the business.

MR. REED: Thank you, Mr. Brown. Our next panelist is Charles Ramos, who's CEO of CR Dynamics. Mr. Ramos will discuss how broadband has made his call center business located in Baltimore, Maryland, an international information delivery and retrieval system and how further innovations will revolutionize his product offering. Mr. Ramos.

MR. RAMOS: Thank you, and good afternoon. Excuse me.

I want to thank the FCC for inviting me here today -- Dr. Reed; my good friend, Roberta de Jesus.

CR Dynamics is a call center outsourcing firm specializing in customer service, help desk, order transactions, et cetera. And we do that for the government, for state -- State of Maryland, and as well as various bunch of commercial entities.

A little plug here: We were just recognized by Inc. 5,000 as the 4,000th fastest growing private business in America, and that's something that I'm very proud of, and my staff especially for helping that. I've got a tremendous support group.

Helping with my presentation today -- this is actually collaboration with some very good friends of mine -- Carl Bradpool and Lewis Hicksel, Kevla Commercial Group, an Alaskan-native owned corporation, and after I give my presentation today, you're going to see why that makes a lot of sense to mention that relationship.

As a small minority business owner and providing outsource call center services, I'm constantly under pressure to upgrade telephony and

telecommunications infrastructures just to stay competitive.

Higher standards exist today for called delivery, with a guarantee we make to our clients that all inbound calls complete the trip across the country or even around the world.

In addition, we fully understand that to stay in the game we need to meet end-customer expectations, with cutting edge functions and advanced features for providing quality billing support and basic troubleshooting.

Think about your own homes right now. When any customer enjoys even the most basic high-speed data access in their home, they also expect the same rapid activity and problem resolution from a person hidden away somewhere on the other end of the phone.

To keep from sitting on hold in a queue, customers now also expect more and more self-help tools, but they want those provided by the customer service organization.

These aspects of running my business are

predicated on fast data connections, something that the broadband, be it fiber, DSL, cable, or DSL or traditional copper connection, a dedicated T-1 or high circuit speeds, can provide.

The appetite is great. It's growing faster than I ever foresaw. And meeting everyone of the needs should be the highest priority to ensure my customers' calls stay here in America to my call center or one of my peers.

One of the most important prominent technology advances is voice over Internet protocol, or V-O-I-P, or VOIP. It's a cost-efficient way of using the data network within our call center infrastructure to allow both voice and data traffic to ride a similar connection from the server and teleco room to our agents' desktops. We'll add video in there as well.

However, we also know there is a rich VOIP network coming along and evolving quickly just outside our building. When that last mile gap is bridged from this wide area VOIP network

and finally into my building, it will increase my capacity and lower my transport costs.

Calls will ride the Internet connection from customer house across a backbone and delivered to my centers. This could spell a win-back for business we've seen over shore in this decade.

Not only can we reclaim the 20 to 25 percent of call volumes that are going where cheap labor was a perceived advantage, but we can earn more business from foreign customers by passing on our savings for long- distance transit.

VOIP will then be the enabler of global clients seeking a skilled pool of support agents here in the United States.

Right now, as I speak, our IT staff is in a critical phase of operations. We're scoping and writing specs to upgrade all our telephony hardware in our data center and telecommunications room.

Broadband, with all those benefits of combining voice and data, will spell a reduction

in telephony and CTI, computer teleco integration.

That also applies to the appliances and a few enterprise services as well -- service as well.

We will plan for using outside storage networks, or SANS, in cloud storage of data. We've pushed for being paperless, and this is just one of the many avenues to achieve our goals.

We also expect that some of our agents' tools will reside in-house, but soon will rely on external knowledge-based resources at our client sites and on wikis everywhere, another prerequisite for increasing the data network.

Wise built out or upgrade to my equipment is critical to longevity. Fewer network devices in my cold room means less heat generation and power consumption, and that translates into cost savings and overall lower demand on air conditioning.

Can anybody say green? Okay. My bottom line is greatly improved. It could be very well by defining differences between staying in

business and losing accounts.

As I pointed out, there are great many benefits to increasing our national broadband access and throughout speeds as they relate to me and our 10-year call center company.

I can't leave today without prioritizing on at the top of my list it's a growing trend to be -- to more work from home jobs.

The downstream call center customers are satisfied when their needs are met by their call being answered in less than 20 seconds and a resolution to their issue or questions answered.

During a single transaction, what we call first- call resolution to amplify an importance means when call volumes exceed our workforce will hold times and abandon rates skyrocket. This idea of stay-at-home call center employees is gaining momentum.

These individuals are part of a virtual agent pool table at taking calls from their home office. At the present time, a caller is no different than if they were sitting in cubicles

surrounded by the operators or staying at home.

Companies like Alpine Access have made their mark by not owning a brick and mortar facility. One hundred percent of their agents are working from home, and the only number required on any given moment are utilized.

Broadband connections are the only way to guarantee this experience.

We welcome the concept of a smaller office footprint, and yet enjoy a farther reach of talent as though they were right here on the East Coast.

Layer on some other forms of communications to my center like e-mail support, IM, or chat support, which, by the way, can only be achieved with a more robust broadband network, will result in a much more efficient use of more remote CSRs and customer service representatives.

Furthering the importance of high-speed access all those other paths, from communication to my center, like those that enable e-mail support and IM chat support result in greater

efficiency, customer satisfaction, and predictable workforce management.

Although it's almost 5,000 miles away from our CR Dynamic Center in Baltimore, the Northwest region of Alaska is a bright example of increasing the quality of life under harsh conditions by investing in high-speed data connections in isolated areas.

Only a broadband initiative could make this a reality. I realize it may seem like a distant case example, but a national build out of our broadband capacity to places like Kotzebue, Alaska, a remote rural parts of our (inaudible), introduced the possibility of a new competitively priced call center and work from home programs in locations that never before considered.

This translates into jobs and growth in our sector. Our vision is just over the horizon. We don't and cannot look backwards and still expect to be profitable tomorrow.

With the support of the FCC and related federal assistance, whether it's subsidies,

underwriting, project and fiscal oversight or leading edge capacity planning, we in the call center business can stay competitive and thrive.

Our peer group of American center operators and certainly those in the minority-owned world, in which I exist, are encouraged by your efforts.

Further, if asked continually, we would provide the inputs and feedback to help propel the FCC's agenda around this monumental initiative.

Thank you for your opportunity and the initiative.

MR. REED: Thank you. Our next panelist is Auria Styles, who is the CEO of the Mod Pod -- of the Mod Pod. Ms. Styles will discuss how her Internet -- is at the Internet clothing store will -- with no fixed store location is able to exist solely on the Internet.

MS. STYLES: Well, thank you, Director Reed. I'd like to Carolyn Flemming for inviting me here today to speak with you all. I think we've heard a lot so far about some of the

1 challenges that small disadvantaged businesses
2 face in getting started and up and running, and
3 I'm actually just living it right now. So it's a
4 topic where -- you know, it's near and dear to my
5 heart.
6 Like Warren, I'm a recovering lawyer and
7 trying to start a business. I founded my company
8 a year ago, when I was living in Asia, and unlike
9 Warren's business, I never envisioned actually
10 ever having a traditional retail model, mainly for
11 -- my primary thinking in that was that it was
12 just plain too expensive.
13 Like many small businesses, I'm
14 completely self- funded and cost is a significant
15 factor in all of my decision-making. And I looked
16 at traditional retail models and just decided that
17 a fixed location employees would be very, very --
18 just prohibitively expensive to launch something
19 in an industry like fashion, which is very, you
20 know, whimsical and but unpredictable, which, I
21 guess in retrospect, was a little bit of foresight
22 given what happened in the economy this past fall.

So I'm just a touch briefly on the four -- what I view as the four primary, you know, real attributes of broadband and how they've affected my business.

Again, I think the first factor is really costs. Again, you know, the Internet really has, you know, really reduced my operating costs in terms of, you know, accessing potential customers, just establishing a presence in the virtual marketplace. You know, it really for -- I can honestly say it probably cost me under $1,000 to get my very, very fancy website up and running.

It's not yet a fully functioning online store at this point, but that has more to do with the traditional retail business model than my own particular, you know, decision-making process.

At least in fashion, the -- typically, you know, the traditional business model is that you work through agents and the agents will sell wholesale on your behalf to larger retailers, and this past fall that was just not really the best strategy, given, again, given the financial

meltdown and the overflow into the broader economy.

And so around April of this year, you know, we looked at the Q1 results for Amazon.com, and naturally the online model looked -- was the only model that seemed to be doing well.

And so, I basically sort of refocused my marketing strategy and have really spent a lot of time triggering out ways of virally marketing my product through some of these social networks, such as Facebook and Twitter.

There are a number of additional industry- specific online advertising vehicles, which have yielded really great results and great publicity for our business in trade publications and those are -- again, they're online distribution lists that, you know, reach over 30,000 potential retailers, which is fantastic exposure for us. It got my product into some very, very, you know, highly regarded industry publications and actually yield -- has resulted in the line being carried by one of, you know, a

minor regional chain.

So we're very excited about that. We have a lot of -- we've reaped a lot of benefits from having an online presence.

I think, you know, we -- we're going to be spending a lot of time and really developing a very concrete strategy for reaching out to other potential, you know, wholesale and retailers for our next collection.

And, you know, and again, like I said, we are going to switch to a, you know, full-blown retail model.

We had an interesting experiment with that, you know, just to give you some idea of sort of the difference between the power of online sales and the dynamics of a traditional marketing strategy.

Again, after we received the press from one of these online e-mail blasts, I got a flurry of orders that far exceeded our expectations or our inventory. And that was without actually even having a functioning online website.

And that was really quite unexpected considering what the experts who I had worked with in the fall had told me about the market and the likelihood that, you know, a major retailer would pick up my line.

So I've been very, very pleased with, you know, my online and broadband experience, and hoping to do really great things through it in the future.

I think the last real benefit that I've received from using sort of broadband resources is that there's just a tremendous amount of information.

We talked earlier about the training centers, but one of the things as a, you know, relatively new entrepreneur, I have just found that there is just some really fantastic resources for entrepreneurs that are available and on, you know, like a Stanford University website.

Score is another, you know, fabulous resource that I found online. And, you know, there's -- I mean, you know, we talk about how

essential the Internet is these days, and I -- I mean I'm definitely someone who can attest to that effect because, you know, I'm an extremely small, as in one person -- owned -- individual who's running a business, and, you know, when it comes down to finding answers to questions that late at night, there's really only the Internet that I can go to as a resource.

And so, you know, it's been a great experience and, you know, it's been a great resource for, you know, both as a teaching tool and as a training tool for myself. So.

MR. REED: Thank you. Mr. Cleveland Spears is the General Manager and Program Director for IM4 Radio. Mr. Spears will use his successful online radio broadcasting model to talk about the benefits of reaching untapped markets and groups through broadband technology. He will also express what is needed for his new motive communication to rapidly excel and become readily accessible to all small and disadvantaged businesses.

MR. SPEARS: Thank you, Tom. It's appreciated. I also want to thank Carolyn Flemming Williams and the FCC for having me down here -- Cleveland Spears, General Manager and Program Director of the IM4 Radio Broadcasting Network.

We've been around for about six years. The wonderful thing that we're doing is that we're broadcasting totally online. We have radio stations right now in the Washington, D.C. area, and it's called the Flow. IM4 Radio is a broadcasting network, and what they do is they -- we actually build radio stations, and the Flow is one of the stations right now.

And broadband has allowed us to be able to do something that hasn't really been done before on the Internet, which is to provide programming to the community, but also to breathe new life with the businesses in the area.

Most of the businesses, mom and pop businesses, can't afford to pay for big-time broadcasting, the billboards that you see outside

the bus backs. And what we're doing is providing that opportunity for them to be able to stimulate their businesses like never before with this type of programming and radio stations that we have.

One of the other benefits is that we -- the listeners. The listeners are -- you know, we're educating people and reaching people like never before, to be able to get that content, a variety of content that is not being provided through regular broadcasting.

One of the disadvantages that we're having with broadband is that we're not able to reach through cell phones and we -- some services do allow it.

Sprint is a wonderful network. We can actually -- we have the technology now that we can actually broadcast to our foes, so we can actually listen to the programming through our telephones right now.

But one of the things that we're trying to get to these people in their offices, their office spaces. I think a problem now with

broadband access -- people cannot -- the firewalls are built up I guess because people are not able to -- I mean with the services that are being available people cannot access the Internet like they should.

And what we're trying to do is reach people through broadband. So I mean it's a wonderful thing that's happening, but we definitely need some more help as far as reaching people with broadband access through IM4 Radio and the Flow.

MR. REED: Thank you. A general question for the entire panel: Coming back to the February 2010 Plan, could you share your thoughts on what that plan has to include in order to improve the success rate for small businesses and particularly for women- and minority-owned businesses?

MR. RAMOS: Well, I can tell you as it relates to our business, I think the FCC and the commercial world as well as anything just need to do a better job of promoting the benefits of

putting all those channels of communication onto one desktop or to one interface.

What do I mean by that? And I don't want to single out any one company, but if you look at the Mac user environment or you look at, you know, the Windows user environment, on your own desktops, you've got multiple windows. I mean you've got a spreadsheet going on here. You got Internet access going on here.

In our environment, we use all those technologies. We use fax. We use operating systems, applications, tools, and one part of that that's not really being utilized, which is going to be part of the future you see it coming is videophone.

Now imagine taking that -- all those processes on your desktop and going to the next larger world, bringing all that to your home.

Now I don't know how many people want to answer a videophone when they roll out of bed, but, you know, that technology is there, and it's being underutilized right now.

I could see using all those tools from a customer service point of view, being able to speak to someone and having that human touch, that human connection, being able to fax them a product, or push them -- a website, if they're on the website and pushing a product description in real-time and using all those facets.

Well, using that in the work environment, imagine having all those environments sitting in your living room. Yet, we're going towards information overload, but the convenience is astounding. I mean it's something out of science fiction, but the technology is here, and we're using it all in one form or another.

MR. REED: Mr. Brown, you mentioned -- oh, I'm sorry.

MR. BROWN: Just cost for me. I mean I'm not sure exactly what the FCC has and the ability to, you know, help that down, you know, for small businesses. But like when the recession began to burn its way through, you know, my business in the summer and fall last year, one of

the first things I did was get on the phone with different companies and the phone company was one of them saying well, what can you do doubt me out here?

And they gave a couple months off for -- either half off or full-off for the broadband services, and that was a really big help, and it was a really big deal.

And, you know, I was lucky enough to be able to swing that. I just know that other businesses, you know, that can be a -- the phone bill can be a pretty significant chunk every month, and if anything can be done to bring down that telecom services bill that would be great.

MS. STYLES: I think I'm not a big fan of regulation, and I hesitate to raise this, because it might actually be outside of the purview of the FCC.

But I think for a, you know, a small business that is trying to get off the ground, one of -- I mean search is critical and being able to be found on the Internet is absolutely essential.

1 And I think, you know, a lot of people look at the
2 question -- you know, the issue of search engine
3 optimization. And, you know, there are different
4 views of it and whether it's effective or how
5 effective it is.
6 But I think someone needs to look at the
7 question of how that function actually does affect
8 the ability of small- and medium-sized businesses
9 to find a presence on the web and be identified on
10 -- not necessarily identified as a small and
11 disadvantaged business, but at least, you know,
12 crop up in the top 20 when you tap in certain
13 search terms.
14 And it's something that, you know, the
15 cost that go -- that you need to spend in order to
16 develop a high profile on any of the major search
17 engines are-it's actually quite expensive if
18 you're just getting started.
19 And I think it -- I mean I think it's
20 really just part of a broader access issue in
21 terms of, you know, who inhabits the web.
22 And so I think that particular issue

needs to be looked at, and I don't know what the actual answer should be. But I think it is critical to the life of small businesses on, you know, that use broadband as an integral part of their business model.

MR. RAMOS: I have one more thing. There's also a situation called double charging when making connection. For instance, if I receive a phone call from a customer, there's a charge from the telephone company, you know, for the use of that call. It's on the meter.

If we have to conference in another call to bring in a level-two expert, so to speak, and we hang up that phone, we're still being double charged for that connection.

I don't know how it works -- how it has to do for switching, but there is some double charging that goes on within the telecom industry. That probably needs to be looked at a little closer.

If you apply that to a real life application, whether it's business or commercial,

if you're sitting at home, and you're reaching out, and you know she had a phone call to a business, and again that -- and then that business asks you to make a transfer to another call, you could possibly be double charged for that.

So that's something that could be looked at from a regulation perspective.

MR. BROWN: This is a little off topic maybe, but slamming as a practice, at least I'm told by the telecom people when I get on the phone with them. That's something that needs to end. And that's just something where you have a third-party that just either contacts you and just gets to say the word yes in some capacity, and they take that as the affirmation that you want their service.

Or they just begin to just charge you as a third party. And I've got to spend time and resources going after Verizon saying, hey, that's not an authorized charge.

And it gets credited to me, but if you don't catch it and you don't know what you're

1 looking for, you get an extra $25, $30 billed on
2 your bill. And it's -- and people who aren't that
3 sophisticated about reviewing their phone bill or
4 just don't review their phone bill, they lose a
5 lot of money, because it just -- you know, your
6 bill just starts going up.
7 So slamming is something that is
8 outrageous and I think needs to end.
9 MR. SPEARS: I would also add to have
10 more availability. I mean even though we have
11 managed to gain 100,000 listeners through the IM4
12 Radio Broadcasting Network, we're still hindered
13 by certain technologies.
14 It's a software -- I think it's
15 (inaudible) Radio, and one of the -- most of the
16 major broadcasters they can actually use that for
17 people to actually pick them up even in the
18 offices. People are able to tune through major
19 networks to hear their content opposed to a small
20 broadcast network like myself to be able to be
21 picked up in the office or, like Warren said, I
22 mean to have the availability and accessibility

through your cell phone.

I mean we've I guess went through the back door and figured out how to broadcast to our phones. But it is very difficult, and, you know, it just needs to be more availability for smaller businesses to be able to access.

MR. REED: Mr. Spears, as a new -- excuse me -- as a new media business operating in a digital age and one that's not licensed by the FCC, how can the Commission's policies encourage business development in your arena and (inaudible)?

MR. SPEARS: Just to be able to give us the opportunity to be able to grow and to compete with the terrestrial radio stations. I mean it's easier. I mean when we first started up we was, you know, it was in a dial-up age, so we was pretty much speaking Chinese to a lot of people when we were trying to broadcast over the Internet.

But we've managed to make some necessary strides, but we still need to be able to compete

with the terrestrial stations. We don't have the budget. We don't have the finances. We don't have access to the finances to be able to grow, although, like I said, we are successful, and we have with the Flow Network that's right here in the Washington metropolitan area, we've been able to secure funding, secure advertising contracts through our planning and our process.

But we still need some assistance, you know, to actually grow and become a large corporation.

MR. REED: Okay. This question is for Ms. Styles. Do you believe that your business model, an Internet-only business can be replicated across industry lines? I mean there's some unique aspects to your business, but how can it be replicated?

MS. STYLES: Well, I mean I think -- I mean I think, you know, Amazon is one -- a great example of how it can be replicated.

I think it's replicated across a lot of different industries, and, you know, really it

1 does -- it depends a lot about -- a lot on sort
2 of, you know, what you are -- again, it goes back
3 to what your cost structures are, and whether
4 you're able to, you know, adequately display your
5 products in a manner in which people can interact
6 with them.
7 And I think the technology is getting
8 such that you now can have sort of
9 three-dimensional product pictures. There's a lot
10 of really neat technology that's out there that
11 can give the consumer a virtual experience prior
12 to purchasing, which I think will enable people to
13 actually, you know, expand the types of businesses
14 that can be done on an Internet-only basis.
15 I mean I'd love to have, you know, a
16 couple million in revenues so that I could afford
17 to open an actual storefront. I mean I think that
18 that -- you know, that's sort of the direction
19 we'd like to go in.
20 But at this point, you know, it just
21 doesn't -- it just doesn't really make sense on
22 oh, so many levels. And I think for a lot of

businesses, particularly given that so much -- so many people spend so much time online these days that, you know, I do think that the going to the store model is really sort of fading in a large -- to a large extent.

MR. REED: Mr. Brown, I've got a question for you. You said something that was interesting earlier about your assumption that broadband was available everywhere, and then when you discovered that it wasn't, you have some issues that you had to deal with.

Could you expand on that? Tell me where those places were.

MR. BROWN: Sure. It wasn't so much that it wasn't available, but the carrier that I was expecting to buy it through with Verizon -- this is in the Shirlington Complex, right across the river in Arlington, Virginia. Verizon wasn't carrying broadband or DSL at the time, and I had to turn to a cable and had to contract with Comcast for the DSL services or Internet through cable.

So it works well, and we're all online, but I just had to basically double my expenses essentially, and I wasn't looking forward to that. And I would like to switch as soon as possible.

MR. REED: Okay. I think we've gone a little bit over, but I'd like to thank all of our panelists unless we have any additional questions from the audience. I think we do have one. And this is from Maurine.

It says, "What broadband service or technology innovations would small business owners find useful?" That's for everybody on the panel.

MR. BROWN: I think having a server online so that you can actually store all your information out there in the cloud is really what it's all about, because that way you reduce your number of files so that you don't have to store as much stuff, as much paper.

And you can access it wherever you are -- you know, if you're traveling or if you're just moving around from store to store. If you have to go to someone else's house and suddenly, you know,

jump online to figure out something with your numbers, you can give login passwords to your different service providers, like your accountant or attorney if you need to have something -- a document reviewed.

So it just can I think really shrink the time that you have to transmit different pieces of paper and reduces your cost at the same time.

So that's, to me, it's the best thing.

MR. SPEARS: I would say for us when we initially start, voice over IP was very cost effective. We couldn't afford a T-1 line. I mean it was astronomical to try to pay for a T-1 line, so and right now with services available with -- you have Vonage and other companies that are offering the type of service it cuts down on costs, and it still gives you the opportunity to be able to be online and have broadband.

MR. RAMOS: In our case, it's (inaudible). I mean we deal with the public, and we deal with the public on an everyday basis. And the public is very demanding. They want speed.

They want action. They want satisfaction, quickly. Instant gratification is the age we live in, and having the Internet and being able to pop up information and answering a question as quickly as possible so that customer has a great experience and can move on and feel like they're satisfied in today's environment is -- you can't put a price on that, on that level of customer satisfaction.

Gone are the days of flipping through a book and pulling out a sheet of paper and, you know, looking at your cubicle and looking at the, you know, frequently asked questions. That information is there. It's at your fingertips. Boom. On to the next satisfied customer. And that's how it benefits us.

MR. REED: You know I'd like to thank everybody for coming. I'd like to thank all of our panelists today. It's been the beginning of a very important conversation. It's been very informative for us, so I'd like to thank you all for taking the time to join us and provide your

expertise and your experiences and add that to the debate.

I'd also like to thank all of the staff of the Office of Communications Business Opportunities who are all here, who have worked really hard to put this on and to do it in such short order and to get such terrific speakers for us here.

So with that, I'd like to close and thank everyone.

(Whereupon, the PROCEEDINGS were adjourned.)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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