Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
	)	
International Comparison and Consumer	)	
Survey Requirements in the Broadband Data	)	GN Docket No. 09-47
Improvement Act	)	
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Inquiry Concerning the Deployment of	)	
Advanced Telecommunications Capability To	)	
All Americans in a Reasonable and Timely	)	
Fashion, and Possible Steps to Accelerate Such	)	GN Docket No. 09-137
Deployment Pursuant to Section 706 of the	)	
Telecommunications Act of 1996, as Amended	)	
by the Broadband Data Improvement Act	)	

To: The Commission

COMMENTS OF WINDSTREAM COMMUNICATIONS, INC. – NBP PN # 16

WINDSTREAM COMMUNICATIONS, INC.

Eric N. Einhorn
Jennie B. Chandra
Windstream Communications, Inc.
1101 17th Street, NW, Suite 802
Washington, DC 20036
(202) 223-7664 (phone)
(202) 223-7669 (fax)

Its Attorneys

December 2, 2009

TABLE OF CONTENTS

SUMMARY ii

INTRODUCTION AND BACKGROUND 1

I. BROADBAND ADOPTION IN RURAL AREAS MUST BE A CENTRAL COMPONENT OF THE NATIONAL BROADBAND PLAN. 5

A. Rural Adoption Rates Lag Behind Urban Adoption Rates. 5

B. Home Broadband Adoption Is Especially Important for Rural Americans. 7

II. RURAL ADOPTION EFFORTS SHOULD FOCUS ON PROMOTING FIRST-TIME HOME BROADBAND USE AND MAINTAINING LONG-TERM AFFORDABILITY FOR LOWER-INCOME CONSUMERS. 8

A. The Plan Should Motivate Consumers to Try Out Broadband in Their Homes. 8

B. Affordability Concerns Have a Pervasive Effect on Rural Adoption. 12

C. The Plan Must Not Mistake Increased Broadband *Expenditures* For Increased Broadband *Prices*, and Must Not Assume that Prices Are Necessarily Higher in Areas With Fewer Providers. 13

III. THE COMMISSION SHOULD ADOPT A COMPREHENSIVE PLAN TO PROMOTE BROADBAND ADOPTION. 17

A. The Commission Should Adopt or Propose a Two-Tiered Plan to Promote First-Time Use by Lower-Income Consumers and Support Ongoing Subscriptions by Lifeline/Link-Up-Eligible Families. 18

B. The Commission Should Adopt or Propose Recurring Broadband Service Discounts for Lower-Income Consumers. 21

C. The Commission Should Adopt or Propose Service-Initiation Discounts for Lower-Income Consumers. 25

D. The Commission Should Adopt or Propose Computer Subsidy and Computer-Related Debt Guarantees for Lower-Income Consumers. 28

E. The Commission Should Facilitate Voluntary Outreach But Should Not Mandate Provider-Sponsored Educational Initiatives. 33

CONCLUSION 37

SUMMARY

Windstream Communications, Inc., on behalf of itself and its affiliates (collectively "Windstream"), welcomes this opportunity to provide input on the challenges associated with promoting broadband adoption. Windstream, the largest broadband provider focused on serving primarily rural areas, has achieved an industry-leading broadband "take rate" among its subscribers, and it now provides broadband service to more than half of its primary residential access lines in service. It has done so in the face of persistent socioeconomic challenges: Households in Windstream's service footprint have lower-than-average incomes, and adults in Windstream's service footprint are less likely than other Americans to be have any post-high-school education. Windstream's success in driving adoption despite these facts – which, as detailed below, tend to depress broadband subscription rates – renders the company particularly well situated to address the issues presented here.

As explained in Part I of these comments, the National Broadband Plan (the "Plan") must focus on promoting broadband adoption in rural areas. According to the Pew Internet and American Life Project ("Pew"), 67 percent of adults in non-rural areas subscribe to broadband whereas only 46 percent of adults in rural areas subscribe. Other entities have reached similar conclusions. The rural/urban adoption gap is particularly troubling given broadband provides access to services and opportunities that are *especially* important for rural Americans. These include telehealth offerings that can connect rural Americans with the high-quality medical care available to their urban peers, online content that can supplement classroom learning for children of low-income rural Americans, and other tools necessary for economic development and job creation. Moreover, whether or not access to broadband at "community centers" is sufficient for *urban* Americans, such access would do little for *rural* Americans, who are unlikely to live close enough to any such center to permit regular and convenient Internet use.

As described in Part II of these comments, the Plan's efforts with regard to adoption should focus on promoting first-time home broadband use and maintaining long-term affordability for lower-income consumers. First, the Plan must motivate consumers to try out broadband in their homes, because the best way to convince consumers of the value of broadband is to have them experience those benefits firsthand. Whether and what amount a consumer is willing to pay for broadband service is largely a function of the value a consumer places on the service, so the Plan must make it as easy as possible for rural consumers to try home-based broadband services so that they can quickly recognize the value of such offerings. Whereas talk regarding broadband tends to focus on abstract "applications," users encountering in-home broadband for the first time are able to understand the specific *functions* served by such offerings and the myriad activities they facilitate. Studies show that once users come to understand and enjoy these functions, they are unlikely to cancel broadband service – even in difficult economic times.

Second, the Plan must ensure that lower-income consumers can afford broadband service. In this regard, the Plan must focus not only on consumers' recurring cost of service, but also on their start-up costs and associated equipment costs. Even users who can afford recurring charges associated with broadband service may be unable to shoulder the up-front costs associated with purchasing a computer and initiating the service. The Plan, therefore, must address these concerns as well.

Part III of these comments offers a proposal for promoting broadband adoption. If enacted, Windstream's proposal will encourage first-time use of broadband in the home for populations that have not yet subscribed, increasing the value users place on service, and render

service initiation, broadband subscription, and computer ownership affordable to those most in need. Windstream's proposal envisions two "tiers" of support, with the most needy Americans (those eligible for Lifeline/Link-Up support) receiving initial and permanent ongoing subsidies to promote broadband use, and with other lower-income Americans receiving subsidies to promote *first-time* use. Terms of this proposal are summarized in the following chart:

Recommended Funding Mechanisms for Increasing Adoption

	Non-Users Who Are Lifeline/Link Up Eligible	**All Other Non-Users with HHI < 300% of the Federal Poverty Line**
Broadband Service Discount	• $20/month discount.	• $20/month discount for the first 3 months online.
Broadband Initiation Discount	• $100 to defray costs of installation, broadband equipment (other than Internet access devices like computers), and/or tech support for setting up a new PC.	• $100 to defray costs of installation, broadband equipment (other than Internet access devices like computers), and/or tech support for setting up a new PC.
Computer Ownership Program	• Serve as guarantor for lower credit class members who want to buy a computer using an installment plan. • Subsidize $200 of computer cost.	• Serve as guarantor for lower credit class members who want to buy a computer using an installment plan.

Windstream proposes that the broadband service support program be limited to services offering advertised downstream speeds of at least 3 Mbps – the minimum speeds needed to ensure that consumers attain a robust broadband experience and are able to use critical online offerings such as standard-definition streaming video with little buffering.

In formulating the Plan, the Commission should remedy flaws that have plagued previous proposals to subsidize broadband service. First, the Plan should *not* adopt or propose a requirement that a participating broadband provider offer the supported service and/or devices "throughout its service areas," because this approach would penalize broadband providers serving truly high-cost regions. Second, the Plan should not adopt or propose a pilot program that distributes funds on a "first-come, first-served" basis, which would promote inefficient use of funds and disadvantage smaller providers unable to rely on mass-media advertisements. Third, the Plan should not permit states to require Lifeline carriers to provide *additional* credits above and beyond the federal credits, without compensation, because this practice would undermine incentives to take part in the service subsidy program. Fourth, the Plan should not condition a provider's participation in any computer-subsidy program on the provider's provision of a "wide array" of device options, because such a requirement would unduly favor the very largest companies over smaller providers unable to negotiate deals across providers and product lines.

Finally, the Commission should eliminate barriers to effective outreach by broadband providers, rather than impose new top-down mandatory education requirements. Specifically, the National Broadband Plan should recommend that federal government officials prohibit cable television operators' from blocking competing broadband providers' advertisements at the local

level. This measure would enable the free flow of information that consumers need to make educated choices about products and services available in the broadband marketplace. Additional requirements that would impose consumer-education obligations on private parties participating in broadband adoption efforts are unnecessary, given the fierce market competition for broadband subscribers' dollars. While Windstream does not oppose government-sponsored educational efforts to promote adoption, it emphasizes that any private-sector educational efforts should be purely voluntary, such as the successful cooperative initiative regarding consumer protection issues pursued by the California Public Utilities Commission in 2006.

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
	)	
International Comparison and Consumer	)	
Survey Requirements in the Broadband Data	)	GN Docket No. 09-47
Improvement Act	)	
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Inquiry Concerning the Deployment of	)	
Advanced Telecommunications Capability To	)	
All Americans in a Reasonable and Timely	)	
Fashion, and Possible Steps to Accelerate Such	)	GN Docket No. 09-137
Deployment Pursuant to Section 706 of the	)	
Telecommunications Act of 1996, as Amended	)	
by the Broadband Data Improvement Act	)	

To: The Commission

COMMENTS OF WINDSTREAM COMMUNICATIONS, INC. – NBP PN # 16

INTRODUCTION AND BACKGROUND

Windstream Communications, Inc., on behalf of itself and its affiliates (collectively "Windstream"), submits the following comments in response to the Federal Communications Commission's ("Commission's") request for comment on issues relating to the promotion of broadband adoption throughout the United States.[1] Windstream welcomes this opportunity to provide input on challenges associated with promoting broadband adoption. As the largest broadband provider focused on serving primarily rural areas, Windstream is particularly well situated to address these critical issues. More than one million of Windstream's three million

[1] Public Notice, *Comment Sought on Broadband Adoption – NBP Public Notice # 16,* GN Docket Nos. 09-47, 09-51, 09-137, DA 09-2403 (rel. Nov. 10, 2009) ("*Notice*").

wireline voice customers subscribe to its broadband service – an industry-leading statistic that reflects Windstream's success in encouraging broadband adoption despite the socioeconomic challenges encountered when serving consumers in rural areas.

Windstream has long been a thought leader on issues surrounding broadband adoption. Indeed, the company first asked the Commission to consider subsidizing broadband adoption more than two years ago, well ahead of its peer companies and long before the Recovery Act announced Congress's own interest in promoting adoption. In August, 2007, testifying at a Senate Committee on Commerce, Science, and Transportation Field Hearing, Windstream President and Chief Executive Officer Jeff Gardner stated that "[t]he gap between those consumers who are online and offline more and more is defined by their economic, rather than geographic, conditions" and that, consequently, "in addition to dedicating funds to aid deployment in unserved areas, policymakers should (a) devote funding to provide support for low-income consumers' broadband access and (b) allocate funds to increase computer ownership."[2] When the Commission sought comment on proposals regarding intercarrier compensation and universal service in November, 2008, it specifically cited Windstream's support for a low-income broadband subsidy.[3] And in subsequent comments, Windstream has repeated its call for such action.[4]

---

[2] *See* Written Testimony of Windstream President and CEO Jeff Gardner U.S. Senate Committee on Commerce, Science, and Transportation Field Hearing: The State of Broadband in Arkansas at 5 (August 28, 2007).

[3] *See, e.g.*, *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Lifeline and Link Up; Universal Service Contribution Methodology; Numbering Resource Optimization; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Developing a Unified Intercarrier Compensation Regime; Intercarrier Compensation for ISP-Bound Traffic; IP-Enabled Services*, 24 FCC Rcd 6475, App.
(continued on next page)

Windstream's foresight in raising broadband adoption issues was informed by its significant experience in working to increase broadband adoption rates among particularly vulnerable populations. First, Windstream's customers' incomes are generally lower than those of other Americans: Households in Windstream's service footprint are approximately 20 percent more likely than the average American household to have a total annual household income ("HHI") below $25,000. They are likewise 25 percent *less* likely than the average American household to have a total annual HHI of $100,000 or greater. Second, Windstream's customers are generally less well-educated than the average American: Adults in Windstream's service footprint are about 20 percent more likely than the average American to lack any post-high-school education, and are about 25 percent more likely than the average American not to have graduated from college. Both alone and in combination with significant geographic challenges – Windstream operates in areas where deployment and operating costs are high and subscriber density is low – these demographic issues present particular impediments to broadband adoption.

A ¶ 70 (2008) ("*2008 USF/ICC Notice*") ("[P]arties have also urged the Commission to provide low-income consumers with support for broadband services. For example, Windstream argues that the Commission should direct broadband support to low-income consumers where such support is most needed.").

[4] *See, e.g.*, Comments of Windstream Communications, Inc., A National Broadband Plan For Our Future, GN Docket No. 09-51 at 4 (filed June 8, 2009) ("To boost adoption rates in areas where broadband already is available, the National Broadband Plan should call for Recovery Act funds to be dedicated to a pilot program that provides federal discounts for broadband service to low-income consumers. Any meaningful National Broadband Plan must address the economic gap separating those consumers who are online from those who are not."); Comments of Windstream Communications, Inc., *High-Cost Universal Service Support et al.*, WC Docket No. 05-337 et al. at 54 (filed November 26, 2008) ("*Windstream 2008 Comments*") ("Windstream has consistently and repeatedly urged federal policymakers to give serious consideration to using Lifeline and Link Up dollars to increase broadband adoption. Any meaningful USF support for broadband must address the needs of low-income consumers who cannot afford to purchase broadband service.").

Nevertheless, despite socioeconomic challenges, Windstream's broadband penetration leads that of its mid-sized incumbent local exchange carrier peers and the Regional Bell Operating Companies.[5] With respect to residential lines in particular, Windstream had, by September 30, 2009, attained a broadband adoption rate of more than half of all primary residential access lines in service.[6] In particular, Windstream's customer base includes a disproportionately large share of the low-tech, rural, and older populations in its service territory – users who stand to benefit a great deal from all that broadband has to offer.

In short, Windstream has faced vexing challenges to deployment and adoption, and has driven subscription to broadband service notwithstanding those challenges. Work remains to be

---

[5] The largest incumbent local exchange carriers' Form 10-Q reporting and associated press releases reveal the following wireline penetration rates for Third Quarter 2009:

Company	**Access Lines**	**Broadband Lines**	**Broadband Penetration**
AT&T	50,833,000	15,638,000	30.8%
Verizon	33,369,000	9,174,000	27.5%
Qwest	10,561,000	2,951,000	27.9%
CenturyLink	7,185,000	2,189,000	30.5%
Windstream	2,925,900	1,050,500	35.9%
Frontier	2,151,700	621,300	28.9%

Broadband penetration is the quotient of broadband lines divided by total access lines.

[6] As of September 30, 2009, Windstream's residential broadband penetration was approximately 53 percent of primary residential lines.

done, in Windstream's territory and elsewhere. Windstream, however, respectfully submits that its success to date offers it a unique vantage on the issues presented by the instant *Notice*.

I. BROADBAND ADOPTION IN RURAL AREAS MUST BE A CENTRAL COMPONENT OF THE NATIONAL BROADBAND PLAN.

As an initial matter, there should be no doubt that issues relating to adoption are central to America's broadband story, and have a critical role to play in the National Broadband Plan ("Plan"). The Recovery Act placed special emphasis on the need for "innovative programs to encourage sustainable broadband adoption" and directed that the Plan include "a detailed strategy for achieving affordability of [broadband] service and maximum utilization of broadband infrastructure and service by the public."[7] In its presentation to the Commission on November 18, 2009, the Omnibus Broadband Initiative ("OBI") leadership cited an "adoption gap" as among the chief "gaps" under consideration, detailing substantial disparities based on income, geography, age, and race.[8] The presentation cited data compiled by the Pew Internet and American Life Project ("Pew"), and those data are confirmed by other studies (which, in addition to Pew's, are discussed below).

A. Rural Adoption Rates Lag Behind Urban Adoption Rates.

To successfully address the broadband adoption gap, the Plan must specifically promote adoption by rural users. While nobody would deny the needs of low-income *urban* Americans, the means in which gaps regarding such users are identified and addressed may fail to recognize or remedy significant adoption gaps in *rural* America. As an initial matter, notwithstanding the

---

[7] *See* C.R. H1414, H1412 (Feb. 12, 2009).

[8] *See* Omnibus Broadband Initiative Presentation, *Broadband Gaps* 19 (November 18, 2009), *available at* http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-294708A1.pdf ("*OBI Presentation*").

successes enjoyed by Windstream itself, rural America faces an undeniable broadband adoption gap. As the OBI presentation indicated, the most recent data reported by Pew show that, whereas 67 percent of adults in non-rural areas subscribe to broadband, only 46 percent of adults in rural areas subscribe.[9] The Consumer Electronics Association ("CEA"), similarly, found that "[a]dults in urban and suburban areas are respectively 19% and 21% more likely to have broadband as their Internet connection compared with an adult living in a rural area."[10]

Much of the adoption gap seen in rural areas such as Windstream's service territory is likely linked to the fact that rural populations tend to be less well-educated and to have lower incomes than other Americans – two characteristics that correlate with lower than average broadband adoption rates. Pew recently found that only 25 percent of individuals living in households with an annual HHI of $20,000 or less use broadband, and that only 52 percent of adults whose highest level of educational attainment was a high school degree used broadband. In contrast, adults with annual HHIs over $75,000 had an 85 percent adoption rate, and college graduates had an 83 percent adoption rate.[11] CEA likewise found in 2007 that "[a]dults with a college degree are 13% more likely to have broadband at home instead of dial-up compared with adults with a high school diploma."[12]

---

[9] *See* Pew Internet and American Life Project, Home Broadband Adoption 2009 14 (June 2009), *available at* http://www.pewinternet.org/~/media//Files/Reports/2009/Home-Broadband-Adoption-2009.pdf ("Pew Adoption Report").

[10] Consumer Electronics Association, *Broadband in America: Access, Use and Outlook* 8 (July 2007), *available at* http://www.ce.org/PDF/CEA_Broadband_America.pdf ("*CEA*").

[11] *Pew Adoption Report* at 3-4.

[12] *CEA* at 8.

B. Home Broadband Adoption Is Especially Important for Rural Americans.

The gap between urban and rural adoption rates is particularly troubling given that broadband provides access to services and opportunities that are especially important for rural Americans. For example, rural Americans often live much farther away from high-quality medical specialists than their non-rural peers, and may be less able to afford travel for medical care. They thus often have much more to gain from access to real-time online medical consultation from their homes. Likewise, rural residents often have fewer financial and other resources available to supplement their children's classroom learning, and stand to benefit more from the educational resources available on the public Internet or through distance-learning applications requiring the use of broadband. Like medical care, these resources also are less likely to be located in rural areas, so virtual access is vitally important. More generally, broadband adoption is particularly critical for supporting job-creation in rural areas, where greater distances between families and businesses might otherwise hamper commercial activity.

Windstream also emphasizes that the adoption solutions that are appropriate for rural America might not be the same as those that are appropriate in urban or suburban areas. To take just one example, some entities have proposed extensive reliance on "community centers" to boost American broadband adoption. In this vein, Free Press has asked Congress to appropriate $150 million to a program for constructing and/or funding community centers.[13] Rural areas, however, are not well-positioned to benefit from community centers. Community centers and anchor institutions typically are located within or quite close to concentrated populations found

---

[13] *See* Derek Turner, Free Press Action Fund, *Down Payment on Our Digital Future: Stimulus Policies for the 21st-Century Economy* 27 (Dec. 2008), *available at* http://www.freepress.net/files/DownPayment_DigitalFuture.pdf.

in urban areas and town centers. In contrast, rural residents often are located in or outside of small communities comprised of no more than just one or two stop lights. These residents cannot make convenient use of community centers. Moreover, community centers in rural areas would have difficulty achieving substantial traffic, given low population densities. Thus, even if extensive reliance on community centers were effective for other areas (and Windstream does not suggest that it would be), such reliance would not be effective in rural America.

II. RURAL ADOPTION EFFORTS SHOULD FOCUS ON PROMOTING FIRST-TIME HOME BROADBAND USE AND MAINTAINING LONG-TERM AFFORDABILITY FOR LOWER-INCOME CONSUMERS.

In working to promote broadband adoption, the Commission should focus on two principal endeavors. First, a successful Plan must motivate consumers to try out broadband in their homes, because the best way to convince consumers of the value of broadband is to have them experience those benefits firsthand. Whether and what amount a consumer is willing to pay for broadband service is largely a function of the value a consumer places on the service, so the Plan must make it as easy as possible for rural consumers to try home-based broadband services so that they can quickly recognize the value of such offerings. Second, a successful Plan must *ensure lower-income consumers can afford broadband service* by focusing not only on consumers' recurring cost of service, but also on their start-up costs and associated equipment costs. In contrast, the Commission should *not* focus on reports mistaking rising broadband expenditures (borne of increasing use of more advanced offerings) for rising *prices*.

A. The Plan Should Motivate Consumers to Try Out Broadband in Their Homes.

As discussed below, users who do not subscribe to broadband, notwithstanding its availability, generally do not understand the ways in which the broadband Internet access will improve their lives. The most important step the Commission can take to promote adoption,

therefore, is to establish programs that enable users to try broadband service in their homes at low cost. Once users try broadband, they are unlikely to abandon the service.

In Windstream's experience, end users who do not subscribe to broadband service where such service is available generally fail to subscribe for one or more of four reasons. ***First***, some users lack sufficient knowledge to understand the Internet's capabilities and potential uses. ***Second***, some users have an understanding of the Internet's capabilities but do not yet recognize its relevance or usefulness with respect to their own lives. ***Third***, some users are "actively passive" with regard to technology – that is, they prefer to stick to the status quo, and believe that they do not need in the present a service they have never needed in the past. ***Fourth*** and finally, some users are simply uncomfortable with new technologies, and are intimidated by the process of purchasing, installing, or using broadband service.

Empirical evidence supports Windstream's own experience regarding the reasons why many individuals do not adopt broadband. Last year, Connected Nation found that "[c]lose to one-half (42%) of rural residents without a home broadband connection say it is because they do not need broadband."[14] According to Connected Nation, "[t]he largest barrier to broadband adoption is a lack of awareness about broadband's benefits," with 44 percent of individuals with no home broadband connection disclaiming any need for broadband service.[15] Pew's recent study, likewise, found that half of all dial-up and non-Internet users cited "relevance" as the reason for why they do not subscribe, and an additional 13 percent cited usability as a reason for

---

[14] Connected Nation, Inc., *Consumer Insights to America's Broadband Challenge* 2 (Oct. 13, 2008) *available at* http://www.connectednation.org/_documents/ConsumerInsightsBroadbandChallenge_20081013.pdf ("*Connected Nation*").

[15] *Id.* at 2.

not subscribing.[16] With respect to non-users in particular, a recent Pew bulletin found that when non-Internet users were asked why they did not have broadband in the home, 33 percent responded that they were "[n]ot interested in getting online."[17] And CEA found in 2007 that "22 percent of households with a home computer but without Internet at home say they would not use it enough if they had it and 12 percent flatly said they were not interested in broadband."[18]

The importance of the factors discussed above – those involving the user's perception of the "value" of the service – is well illustrated by the different ways in which users tend to treat computers and broadband, on the one hand, and cable television service, on the other. According to the most recent data published by the Commission, as of January 1, 2008, expanded basic cable programming service cost an average of $49.65 per month.[19] Direct Broadcast Satellite plans offered by DISH Network and DirecTV may be as expensive or more.[20] In contrast, the average monthly bill for cable modem service is $43.20, and the average monthly DSL bill is $33.70.[21] In fact, Windstream itself offers customers the ability to purchase broadband service

---

[16] *Pew Adoption Report* at 42.

[17] Pew Internet and American Life Project, *Obama's Online Opportunities II: If You Build It, Will They Log On?* 2, *available at* http://www.pewinternet.org/~/media//Files/Reports/2009/PIP_Broadband%20Barriers.pdf.

[18] *CEA* at 7.

[19] *See, e.g., Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992; Statistical Report on Average Rates for Basic Service, Cable Programming Service, and Equipment*, 24 FCC Rcd 259 at ¶ 7 (MB 2009) ("As of January 1, 2006; January 1, 2007; and January 1, 2008, cable operators on average charged $45.26, $47.27, and $49.65, respectively, per month for expanded basic programming service.").

[20] *See, e.g.*, http://www.dishnetwork.com; http://www.directv.com.

[21] *Pew Adoption Report* at 26.

(3 Mbps downstream for $29.99/month) *and* a computer ($15/month over 2 years) for *less* than the average monthly $49.65 expanded basic cable programming charge. If only price were relevant, one would expect broadband adoption rates to exceed video subscription rates. But that is not the case: Nationwide, 64.8 percent of households with a total annual HHI below $20,000 purchase cable and/or satellite television service,[22] while only *35 percent* of these households subscribe to broadband.[23] CEA similarly found that, "[w]hile cost is a concern, 45 percent [of non-broadband households in 2007] ha[d] either satellite or cable television."[24] Nor is this a surprise, because price is *not* the only relevant factor – these low-income households have made the judgment that subscription video service is a greater necessity than broadband Internet access.

In light of the above, a successful plan to promote adoption of broadband must seek to convince users to try out broadband in their own homes, so that they can discover firsthand the value of the service – not only generally, but to their own specific lives. Whereas talk regarding broadband tends to focus on abstract "applications," users encountering in-home broadband for the first time are able to understand the specific *functions* served by such offerings and the myriad activities they facilitate. Such functions include drivers' license renewals, completion of Medicare paperwork, job searching, application submission, communication with distant friends and family – and, of course, many, many more.

---

[22] *See* 2005 Energy Department Survey Results, *available at* http://www.eia.doe.gov/emeu/recs/recs2005/hc2005_tables/hc11homeelectronics/pdf/alltables.pdf.

[23] *Pew Adoption Report* at 14.

[24] *CEA* at 7.

Unsurprisingly, the available evidence suggests that once a user tries broadband service, he or she quickly recognizes the benefits of that service, and comes to place a higher value on it. For example, Pew found that, even in the midst of this year's economic difficulties, "few people were willing to cutback on broadband and were more likely to economize on communication services other than the Internet."[25] Even among households with annual incomes under $20,000, only 17 percent cancelled or cut back on Internet service, whereas 35 percent cancelled or cut back on mobile telephone service, 31 percent cancelled or cut back on cable television service, and 11 percent cancelled landline telephone service.[26] These figures underscore the importance of getting users to try broadband – as even some experience with broadband can meaningfully alter the value proposition of broadband service for rural and other users.[27]

B. Affordability Concerns Have a Pervasive Effect on Rural Adoption.

Of course, even a user who has tried broadband in his or her home and thereby comes to understand its value may not use the service indefinitely if it remains unaffordable. Pew found that when dial-up customers were asked what it would take to get them to switch to broadband, 35 percent cited concerns about the price of service; among non-users, 10 percent cited expense as the "main reason" they did not use the Internet or email.[28] Likewise, in 2007, CEA found that, "[f]or households with home computers but without Internet connectivity, the primary response

---

[25] *Pew Adoption Report* at 19.

[26] *Id.* at 20.

[27] As discussed in more detail below, *see infra* Part III, programs promoting first-time use are far superior to programs involving mandatory educational initiatives – not to mention far more lawful.

[28] *Pew Adoption Report* at 40-41.

offered by 25 percent of these households [as to why they did not subscriber to broadband] was they would like to have broadband, but can't afford it."[29]

The Commission's Plan, therefore, also should focus on ensuring that lower-income users can afford the service. These efforts must address not only consumers' ability to afford monthly subscription charges, but also their ability to afford any initial start-up costs and the costs associated with necessary equipment. Lower income levels lead to financial strain, which makes it challenging to access funds for a computer or other broadband-capable device, pay for service set-up, and establish a consistent budget to cover monthly service charges. If consumers cannot afford a computer, they will not be able to use broadband in their homes, no matter how reasonably priced that broadband service may be. If start-up costs are prohibitive, they will not be able to install broadband, irrespective of whether they own a computer and whether monthly rates are affordable. And if monthly rates do not fit within their budgets, they will not choose to subscribe, even if start-up costs are low and equipment is available. Thus, the Plan must address affordability issues throughout the ecosystem to ensure that lower-income Americans are able to adopt the broadband services that they and others have come to deem essential to modern life.

C. The Plan Must Not Mistake Increased Broadband *Expenditures* For Increased Broadband *Prices*, and Must Not Assume that Prices Are Necessarily Higher in Areas With Fewer Providers.

As a final matter, the Commission should reject suggestions that "prices," as reflected by customers' total broadband spending, constitute a key barrier to adoption.[30] Given the constantly

---

[29] *CEA* at 7.

[30] For example, the *Pew Adoption Report* includes a section entitled "Prices for broadband are up." *Pew Adoption Report* at 25. This statement, which is based on an increase in what consumers say they spend on broadband service, fails to contemplate the fact that consumers'
(continued on next page)

evolving broadband market, in which speeds continue to increase and service offerings continue to improve, an increase in what consumers *pay* is not equivalent to an increase in *prices*, and may not speak to the affordability of broadband service. Accordingly, the Commission (and others) should make clear and adopt policy proposals recognizing that rising bills are often associated with the consumption of more expansive service – e.g., the shift to higher speed tiers or increased use of specialized offerings – rather than rising prices.

Indeed, Windstream's experience demonstrates that increases in broadband payments do *not* indicate that prices are rising or that broadband service is becoming less affordable. Rather, in the broadband area, just as in other areas, payments have in many cases increased because consumers are consuming more and more robust broadband services. Put differently, consumers are paying more for broadband not because prices are rising, but because they are upgrading their service plans. This observation finds support in Windstream's own pricing practices and the behavior of its end users. As the following chart shows, prices for Windstream's broadband service offerings have been *dropping* over time:

---

rising bills might be associated with the consumption of more expensive service – e.g., the shift to higher speed tiers or increased use of specialized offerings. This oversight is odd given Pew's recognition, only pages earlier, that "[a] growing share of broadband subscribers is paying for premium service that gives them faster speeds." *Id.* at 6.

Windstream's Broadband Offerings*

	Service Offerings	Maximum Speeds**	Price***	Notes
2003	Broadband Lite	256Kbps/64Kbps	$ 35.00	
	Broadband - 1.5M	1.5 Mbps/128Kbps	$ 49.95	
2004	Broadband Lite	256Kbps/128Kbps	$ 35.00	
	Broadband - 1.5M	1.5 Mbps/384Kbps	$ 49.95	
2005	Broadband Lite	256Kbps/128Kbps	$ 35.00	Improved Upstream Speed
	Broadband - 1.5M	1.5 Mbps/384Kbps	$ 49.95	Improved Upstream Speed
	Broadband - 3.0M	3 Mbps/384Kbps	$ 54.95	Introduced New Speed Tier
2006	Broadband Lite	256Kbps/128Kbps	$ 29.95	$5 Price Decrease
	Broadband - 1.5M	1.5 Mbps/384Kbps	$ 39.95	$10 Price Decrease
	Broadband - 3.0M	3 Mbps/384Kbps	$ 44.95	$10 Price Decrease
	Broadband - 6.0M	6 Mbps/ 384Kbps	$ 54.95	Introduced New Speed Tier
2007	Broadband Lite	512Kbps/256Kbps	$ 29.99	Improved Speed Tier
	Broadband - 1.5M	1.5 Mbps/384Kbps	$ 39.99	
	Broadband - 3.0M	3 Mbps/384Kbps	$ 44.99	
	Broadband - 6.0M	6 Mbps/ 384Kbps	$ 54.99	
2008	Broadband Lite	512Kbps/256Kbps	$ 19.99	$10 Price Decrease
	Broadband - 1.5M	1.5 Mbps/384Kbps	$ 24.99	$15 Price Decrease
	Broadband - 3.0M	3 Mbps/384Kbps	$ 29.99	$15 Price Decrease
	Broadband - 6.0M	6 Mbps/ 384Kbps	$ 34.99	$20 Price Decrease
	Broadband - 12.0M	12 Mbps/ 768 Kbps	$ 39.99	Introduced New Speed Tier
2009	Broadband Lite	512Kbps/256Kbps	$ 19.99	
	Broadband - 1.5M	1.5 Mbps/384Kbps	$ 24.99	
	Broadband - 3.0M	3 Mbps/ 768Kbps	$ 29.99	Improved Upstream Speed
	Broadband - 6.0M	6 Mbps/ 768Kbps	$ 34.99	Improved Upstream Speed
	Broadband - 12.0M	12 Mbps/ 768 Kbps	$ 39.99	

* Broadband offerings prior to Windstream's creation in 2006 represent former Alltel wireline offerings.
** Maximum speeds available vary by region.
*** Prices available to customers subscribing to Windstream local phone service.
Prices do not reflect promotions or regional differences.

As this chart shows, the monthly price for Windstream's 1.5 Mbps broadband offering dropped by about half between 2003 ($49.95) and 2009 ($24.99), and its 3.0 Mbps service, first introduced at $54.95 per month in 2005, dropped to $29.99 by 2009. A Windstream customer can obtain a 12 Mbps service in 2009 for the same price Windstream charged for 1.5 Mbps

service just three years earlier, in 2006. Windstream is not unusual in this regard: As USTelecom showed last week, the weighted average monthly price for the top five incumbent LEC wireline broadband providers has fallen by at least half since 2001, and customers could in 2007 purchase service offering between 7 and 15 Mbps for approximately the same price they paid in 2001 for service offering between 768 Kbps and 1.5 Kbps.[31] In short, broadband prices are falling, and falling fast.

While prices fall, Windstream's consumers are – unsurprisingly – migrating toward higher-speed service offerings. Windstream now has more than six times as many customers subscribing to 6 Mbps service than it did in 2006, and nearly four times as many customers subscribing to 3 Mbps. A significant number of customers have migrated to Windstream's 12 Mbps service, which was first rolled out in 2008. In contrast, the number of Windstream customers subscribing to 1.5 Mbps service decreased by nearly 25 percent over the last 3 years.

Windstream also notes that, contrary to a suggestion made at the OBI's November 18 presentation, its standard broadband prices remain constant irrespective of the number of competitors it faces in a particular geographic market.[32] Windstream offers the same, consistently low non-promotional pricing across all of its service territory, irrespective of how many broadband competitors operate in the market.[33] In addition, Windstream's broadband

---

[31] *See* Letter from Jonathan Banks, Senior Vice President, Law and Policy, USTelecom, to Marlene H. Dortch, Secretary, FCC, GN Docket No. 09-191, WC Docket No. 07-52, Attachment at 6 (filed Nov. 24, 2009).

[32] *Cf. OBI Presentation* at 13.

[33] Given the size of Windstream's service territory, region-specific offerings are simply not as feasible to administer as standard pricing.

pricing is very similar, for example, to that of Time Warner Cable, which operates in more urban regions where it faces more competitors than Windstream does in many markets.[34]

Thus, the Commission should be wary of arguments based on an increase in total broadband-related expenditures, and should recognize that broadband prices are falling – even in areas with few competitors. Users are consuming more and more broadband service, at higher and higher speeds. These trends say little about the affordability of broadband service for new users, and should not unduly influence the Commission's analysis. Nor does an increase in broadband expenditures say anything regarding the efficiency or competitiveness of broadband pricing: Even in the most competitive market, and even where prices are *falling*, overall spending can rise as the quantity consumed rises, and some lower-income consumers will have difficulty affording new services in addition to items already accounted for in their tightly constrained household budgets.[35]

III. THE COMMISSION SHOULD ADOPT A COMPREHENSIVE PLAN TO PROMOTE BROADBAND ADOPTION.

In view of the principles discussed above, Windstream urges the Commission to adopt or recommend a federal funding mechanism that would address installation costs, recurring service costs, and computer equipment costs, based on the financial needs of individual end users. This proposal, if enacted, will (1) promote first-time use of broadband in the home for populations that have not yet subscribed, increasing the value users place on service, and (2) render service

---

[34] *See* Letter from Matthew A. Brill, Counsel to Time Warner Telecom, to Marlene H. Dortch, Secretary, FCC, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, at 3 (filed Oct. 29, 2009).

[35] In such instances, social policy goals favoring use of broadband service are best served by subsidizing the service for those lacking the means to purchase it without assistance.

initiation, broadband subscription, and computer ownership affordable to those most in need. Focusing on these issues will help users become more comfortable with the technology and introduce users to online activities that they value and can integrate into everyday life.

The terms of Windstream's proposal are discussed in more detail below, but are summarized in the following chart:

Recommended Funding Mechanisms for Increasing Adoption

	Non-Users Who Are Lifeline/Link Up Eligible	**All Other Non-Users with HHI < 300% of the Federal Poverty Line**
Broadband Service Discount	• $20/month discount.	• $20/month discount for the first 3 months online.
Broadband Initiation Discount	• $100 to defray costs of installation, broadband equipment (other than Internet access devices like computers), and/or tech support for setting up a new PC.	• $100 to defray costs of installation, broadband equipment (other than Internet access devices like computers), and/or tech support for setting up a new PC.
Computer Ownership Program	• Serve as guarantor for lower credit class members who want to buy a computer using an installment plan. • Subsidize $200 of computer cost.	• Serve as guarantor for lower credit class members who want to buy a computer using an installment plan.
Maximum Cost Per New Subscriber	• Ongoing broadband service discount: $20/month/subscriber. • Start-up discount: $100/new subscriber + $200 computer subsidy + computer guarantor obligations.	• 3-month broadband service discount: $60/new subscriber. • Start-up discount: $100/new subscriber (incl. 3-month broadband service discount) + computer guarantor obligations.

We provide an overview of the proposal's terms and then address in turn its specific features.

A. The Commission Should Adopt or Propose a Two-Tiered Plan to Promote First-Time Use by Lower-Income Consumers and Support Ongoing Subscriptions by Lifeline/Link-Up-Eligible Families.

The Windstream proposal would offer distinct broadband adoption subsidies to two classes of lower-income users. As discussed at length above, lower-income users are among the

very least likely to subscribe to broadband service. According to Pew, only 35 percent of households with annual HHIs below $20,000 subscribe to broadband; only 53 percent of households with annual HHIs between $20,000 and $30,000; only 54 percent of households with annual HHIs between $30,000 and $40,000; and only 71 percent of households with annual HHIs between $40,000 and $50,000.[36]

Thus, Windstream's proposal envisions two "tiers" or support, with the most needy Americans (those eligible for Lifeline/Link-Up support) receiving initial and permanent ongoing subsidies to promote broadband use, and with other lower-income Americans receiving subsidies to promote first-time use. Specifically, the proposal contemplates that Lifeline/Link-Up-eligible households be provided (1) $100 to defray costs of installation, broadband equipment (other than Internet access devices like computers), and/or technical support for setting up a new personal computer ("PC"); (2) an indefinite $20/month discount on broadband service; (3) a $200 subsidy toward first-time computer purchases; and (4) government guarantorship for first-time computer purchases under an installment plan. End users who are *not* Lifeline/Link-Up-eligible but have incomes below 300 percent the federal poverty level would be provided (1) $100 to defray costs of installation, broadband equipment (other than Internet access devices like computers), and/or technical support for setting up a new PC; (2) a $20/month discount on broadband service for the first three months online; and (3) government guarantorship for first-time computer purchases under an installment plan.

---

[36] *See Pew Adoption Report* at 14. In contrast, households with annual HHIs between $50,000 and $75,000 enjoy an 80 percent adoption rate, those with HHIs between $75,000 and $100,000 have an 82 percent adoption rate, and those with HHIs about $100,000 have an 88 percent adoption rate. *See id.*

This two-tiered structure reflects Windstream's belief that the National Broadband Plan should seek to improve adoption beyond the very, very poorest Americans. For the average-size American household,[37] 300 percent of the poverty level equals almost exactly $50,000 per year. As explained above, users with annual total HHIs below $50,000 are substantially less likely to subscribe to broadband service than those with HHIs above that level. For these users, as detailed above, there is good reason to believe that limited-time subsidies could promote first-time home adoption, helping to overcome concerns with respect to broadband service. According to Pew, the greatest growth in broadband adoption over the past year has taken place among senior citizens and low income Americans – two population subsets that are more likely to cite relevance and usability as reasons for non-use.[38] Moreover, as noted above, there is evidence that users who come to understand the value of broadband through its use are unlikely to cancel that service, even in difficult times.[39]

In sum, Windstream's proposal aims to promote broadband adoption by further reducing the barriers to first-time use, with the expectation that more individuals will come to value broadband and continue to subscribe on their own. Accordingly, Windstream proposes that the government subsidize service installation and guarantee loans associated with installation plan computer purchases. Windstream also recommends broadband service subsidies, with the duration of these subsidies corresponding to consumers' needs.

---

[37] The average U.S. household size is 2.56 individuals.

[38] *Pew Adoption Report* at 16-17, 43-44 (reporting that broadband usage among adults ages 65 or older grew from 19 percent in May, 2008 to 30 percent in April, 2009, and that those who report household incomes of $20,000 per year or less saw broadband adoption growth from 25 percent in 2008 to 35 percent in 2009).

[39] *See supra* Part II.B.

B. The Commission Should Adopt or Propose Recurring Broadband Service Discounts for Lower-Income Consumers.

As discussed above, the recurring cost of broadband service is a major factor affecting affordability, and therefore adoption. In response, Windstream's plan calls for service subsidies to be provided indefinitely to Lifeline/Link-Up-eligible users, and for three months to users who are not eligible for those plans but hail from households with a total HHI less than 300 percent of the federal poverty line. Windstream's plan relies on Lifeline/Link-Up eligibility criteria for ease of administration and to maintain consistency across the voice and broadband programs.

Specifically, Windstream proposes a federal discount of $20 per month for broadband service for as long as the user remained eligible for the subsidy.[40] This discount, when viewed as a percentage of the monthly service price, is roughly equivalent to the Lifeline voice discount: The discount offered by Lifeline voice equals, on average, about 59 percent of Windstream's monthly residential rate, including the Subscriber Line Charge ("SLC") – a discount of $12.04

[40] In previous comments in this docket, Windstream proposed a $10/month subsidy. This recommendation, however, was made the context of a time- and population-limited pilot program. It also was, to some degree, shaped in response to the Commission's earlier proposal to double the current monthly subsidy for a Lifeline subscriber up to $10 per month to offset the cost of broadband service. *See 2008 USF/ICC Notice* at App. A ¶ 82. In order to succeed, a long-term program would require the larger subsidy discussed herein.

on a $20.57 service offering.[41] A $20 monthly broadband discount would comprise about half of what Pew reports is the average monthly broadband bill (i.e., $39.00[42]).

Windstream proposes that the broadband service support program be limited to services offering advertised downstream speeds of at least 3 Mbps. In Windstream's experience, 3 Mbps are needed to ensure that consumers attain a robust broadband experience and are able to use critical online offerings, such as standard-definition streaming video with little buffering. In addition, even in areas where Windstream offers downstream speeds up to 12 Mbps, most new Windstream customers select service at the 3 Mbps level.

In adopting or proposing the broadband discounts (and other aspects of the Windstream plan), the Commission must work to avoid certain flaws that plagued previous proposals to subsidize broadband service. First, the Plan should *not* adopt or propose a requirement that a participating broadband provider offer the supported service and/or devices "throughout its service areas." In late 2008, the Commission sought comment on a proposal to establish a Lifeline and Link Up pilot program where a participating broadband provider would have been obliged to "offer the services and supported devices to all qualifying low-income consumers throughout its service areas."[43] As Windstream explained at the time, this approach would unduly penalize broadband providers serving truly high-cost regions. Windstream's experience

---

[41] This discount includes federal and, as applicable, state support. If states provide the maximum level of support qualifying for a federal match, the discount is $13.50/month. Thus, if all of Windstream's states provided the maximum level of support qualifying for the federal match, the average discount would be equal to approximately two-thirds of Windstream's monthly residential rate, including the SLC.

[42] *Pew Adoption Report* at 24 (finding that the average monthly bill for broadband is $39.00 ($43.20 for cable vs. $33.70 for DSL)).

[43] *Id.* at App. A ¶ 87.

indicates that it is both economically and technically infeasible for companies to deploy broadband in the next few years to all residents in truly high-cost regions. Efforts to bring unaddressed customers online would be very time- and resource-intensive.[44] For Windstream alone, it would cost approximately $*1.5 billion* to deploy 6 Mbps service to its approximately 364,000 unserved households – an average per-household cost of roughly $4,000.[45] Even robust federal support for broadband deployment is unlikely to offset these costs to the degree necessary to facilitate *universal* deployment in the *near term*. Consequently, many rural broadband providers, and many lower-income consumers in their service territories, would be unable to participate in a program that limited participation to entities offering universal coverage.

Second, the Plan should not adopt or propose a pilot program that distributes funds on a "first-come, first-served" basis. The pilot program proposed in 2008 contemplated that "[s]upport will be disbursed on a 'first come, first served basis' where priority is established according to ETCs' submission of reimbursement requests to USAC and compliance with program eligibility."[46] Under this regime, broadband providers would find themselves in a race to sign up customers, often selecting inefficient means of reaching customers that favored speed over long-term viability. Furthermore, rural providers would be disadvantaged in the race to

---

[44] DSL is distance sensitive – the farther customers are from a broadband service device, the more their DSL signal degenerates. To offer broadband to otherwise unserved customers, DSL providers like Windstream must shorten the distance between their broadband serving devices and customer households, an effort requiring deployment of fiber and digital loop carrier systems along long stretches of rural roads. A prior Windstream filing in this docket provides further details regarding this deployment challenge. *See* Comments of Windstream Communications, Inc. – NBP Public Notice #11, GN Docket 09-47 et al. (filed Nov. 4, 2009).

[45] *See id*. at 4-6. It would cost an additional $500 million for Windstream to upgrade service to 6 Mbps for all existing customers not yet capable of receiving these speeds. *See id.* at 6.

[46] *Id.* ¶ 85.

collect new subscribers, because they face special challenges in marketing to their target audiences. Rural providers lack sufficient scale to use broadcast radio and television to a substantial degree,[47] and local cable companies generally refuse to air their advertisements at the local level.[48] In the search for new broadband customers, rural broadband providers instead often must resort to using bill inserts sent to existing telephone customers. This approach is far less likely than repeated mass media advertisements to have an immediate impact on customer behavior. Thus, "first-come, first-served" funds are likely to be used up quickly by providers serving urban consumers as providers serving rural consumers wait for their bill inserts to reach and affect their customers.

If some sort of pilot program is employed, 50 percent of all pilot program funding should be earmarked for qualified lower-income consumers residing in rural regions. This set-aside should ensure that sufficient funds are allocated for lower-income consumers in rural areas. Rural areas here should be defined as areas that qualify as "rural" for the purposes of the first Notice of Funding Availability ("First NOFA") for the Recovery Act broadband programs.[49]

---

[47] Advertisers purchase mass media advertising for designated market areas, or regions where consumers receive the same television or radio station offerings. DMAs can stretch over wide swaths of both urban and rural areas, so a carrier hoping to use mass media to reach a small number of rural consumers may have to assume the cost of advertising to a large number of urban consumers as well. Wasted mass media advertising dollars in this instance can be significant. For Windstream to advertise to Canton, Monroe, and Widener, Georgia, it would have to purchase mass media for the entire Atlanta DMA, when only 8 percent of individuals in the DMA reside within Windstream's service territory. *Windstream 2008 Comments* at 58, n.142.

[48] *See infra* Part III.E.

[49] For purposes of the First NOFA, the term "rural area" is defined as follows: "[A]ny area, as confirmed by the latest decennial census of the Bureau of the Census, which is not located within: 1. A city, town, or incorporated area that has a population of greater than 20,000
(continued on next page)

Third, the Plan should not extend undue costs faced by providers under existing Lifeline and Link-Up programs. In particular, some states require Lifeline carriers to provide *additional* Lifeline voice credits above and beyond the federal credits. These states, however, do not reimburse the carrier for those discounts. In short, these states require the carriers themselves to subsidize service to end users.[50] Whether or not this practice is appropriate in the context of voice telephony (and Windstream believes that it is not), it is surely inappropriate in the broadband context, where Congress has established a clear preference favoring deployment and adoption. Imposition of additional costs on providers would only serve to undermine incentives to take part in the service subsidy program, with the effect of mitigating the program's effect.

C. The Commission Should Adopt or Propose Service-Initiation Discounts for Lower-Income Consumers.

In addition to the broadband service discount, Windstream urges the Commission to adopt or propose a broadband initiation subsidy of $100 per household. This subsidy would be available for both customer tiers addressed by the proposal (i.e., those eligible for Lifeline/Link-Up and those who are not eligible but have HHIs equaling less than three times the federal poverty level). As discussed above, the Plan must seek out ways to promote first-time use of broadband service, because such use will help users understand the high value of broadband and the ways in which such service can improve their lives. A robust service initiation subsidy can play a tremendous role in persuading non-users to try out broadband service – and can help

---

inhabitants; or 2. an urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants. For purposes of the definition of rural area, an urbanized area means a densely populated territory as defined in the latest decennial census of the U.S. Census Bureau." 74 Fed. Reg. 33104, 33109 (July 9, 2009).

[50] In particular, Windstream is required to provide credits, in aggregate, of approximately $1.2 million per year, without reimbursement, in Florida, Georgia, Ohio, and New Mexico.

ensure that nonusers come to understand the value of broadband service and, therefore, are more likely to subscribe on a going-forward basis.

As detailed above, start-up costs remain a significant barrier to broadband adoption by consumers generally, and particularly by lower-income consumers. Individuals seeking to initiate broadband service must often pay up-front costs associated with modems, satellite reception equipment, and other equipment used only in connection with the service. Often, customers must also pay a one-time charge for the labor associated with establishing the broadband service. These one-time costs may well block some users from trying at-home broadband service, and, to the extent they do, they are likely depressing broadband adoption overall. Thus, just as the Commission has recognized the need for a "Link Up" program subsidizing voice initiation costs to complement ongoing Lifeline support, so too it should offer support broadband service initiation, separate and apart from ongoing service subsidies.

Notably, the service initiation discount should be understood not only as a means of subsidizing service set-up, but also as a means of providing necessary technical support and education to new users. Non-financial difficulties associated with service initiation are a major deterrent for many potential broadband customers – and especially low-income and older consumers. According to Pew, members of these population subgroups often cite the "usability" of broadband service as one reason for non-subscription.[51] Based on Windstream's experience, older individuals who are less technologically savvy are 20 to 30 percent more likely than others

[51] *Pew Adoption Report* at 4-5.

to request professional installation over self-installation.[52] Furthermore, one of the top reasons cited by Windstream customers for disconnecting broadband service is computer equipment problems.

To overcome such barriers to service initiation, Windstream offers "Windstream TechHelp," which uses screen-share technology to address PC-related technology problems. This service is available to all Windstream broadband customers for $12.99 per month.[53] The average "ticket time" in connection with TechHelp – the amount of time generally spent by personnel responding to each call – is 2 hours and 41 minutes. In Windstream's experience, a disproportionate number of consumers purchasing TechHelp reside within a lower-income household (a household with HHI below $40,000 per year); are 65-years old or older; and/or only have achieved lower levels of education (high school or below). This offering has helped many users, though of course there are likely many more who would subscribe to broadband service and TechHelp if not for the monthly charge.

Based upon its experience, Windstream urges the Commission to adopt or recommend a federal initiation discount, under which all Lifeline/Link Up-eligible individuals households would be provided $100 to defray costs associated with installation and/or technical support for

---

[52] Windstream currently offers free professional installation at no additional charge. A $30 charge applies in the rare instance in which a customer wants professional help in setting up a home network, connecting broadband to multiple devices.

[53] Windstream also offers "a la carte" user support. For example, Windstream will perform a full PC restoration for $129.00, a setup and file transfer for $119.00, a wireless network setup for $89.00, and a peripheral device setup and tutorial for $59.00. *See generally* http://windstream.hiwired.com/services/Default.aspx?sc=Residential.

setting up a new PC and/or new broadband service.[54] These offerings can play a central role in broadband adoption efforts, but without government support, they are simply too expensive for providers to offer free of charge – as evidenced by the average 2 hours and 41 minutes spent on each TechHelp call received by Windstream. Thus, Windstream urges the Commission to recognize that government support for service initiation is no less important than support for ongoing subscription costs or (as discussed below) initial computer purchases.

The initiation subsidy should be directed at programs offered by the broadband service provider itself, for several reasons. The provider has a preexisting relationship with the customer, and therefore will be best-positioned to minimize the burden placed on the customer (who may otherwise balk if faced with the prospect of obtaining help from one or more third parties). Moreover, the provider is likely to be most familiar with the network, and with basic problems faced by users. The fact that the provider generally will be subject to Commission jurisdiction, whereas third-party providers of technical assistance may not be, will also ease administration of the program. Finally, an approach that centralizes the use of subsidy funds will aid oversight and increase accountability. For example, a broadband provider might not be able to discern how much subsidy funding a user has spent with a third party, but could easily track funds that it has received from a particular household.

D. The Commission Should Adopt or Propose Computer Subsidy and Computer-Related Debt Guarantees for Lower-Income Consumers.

Windstream's plan also calls for governmental support for first-time computer ownership for use with new broadband subscriptions. First, households eligible for Lifeline/Link-Up

---

[54] The proposal on which the Commission sought comment in 2008 would have supported 50 percent of the cost of broadband Internet access service installation, including a broadband Internet access device, up to a total amount of $100. *See 2008 USF/ICC Notice* at App. A ¶ 81.

service would be eligible for a $200 subsidy toward purchase of a computer. Second, under Windstream's proposal, the federal government would serve as a guarantor for Lifeline/Link-Up families and other families with annual HHIs under three times the federal poverty level when these families wish to purchase a computer on an installment plan. As with technical support (discussed above), computer-related discounts should apply to computers supplied by the broadband provider itself. By maintaining a link between the broadband provider and the subsidized computer, the Commission can help to ensure that new computers are, in fact, being purchased (and used) in connection with new broadband accounts. For example, the service provider could condition the computer purchase on the initiation of broadband service. Furthermore, a single administrator of start-up and computer support funding could readily combine computer subsidy with start-up costs subsidy for a single lump-sum discount – maximizing consumer discretion in determining how to use the support to best meet personal needs relating to the initiation of service.

As noted above, lack of universal computer ownership is a primary barrier to broadband adoption in the United States. In 2007, the Consumer Electronics Association found that about 30 million households did not own a home computer, and that this figure accounted for "over half of the US households without broadband."[55] Further, "[w]hen asked to characterize their current attitude toward broadband, 34% of households without a home computer sa[id] the primary reason they don't subscribe to broadband is because they don't own a home computer," while "[a]n additional 16 percent of households without a home computer sa[id] they would like

[55] *CEA* at 7.

broadband, but can't afford it…."[56] Connected Nation similarly found that 32 percent of non-broadband-adopters cited lack of computer ownership as the reason for their non-adoption.[57] Unsurprisingly, low-income households were especially unlikely to own a computer – 44 percent of such households owned computers, compared to 74 percent of all residential households.[58] Thus, a successful National Broadband Plan must address the computer ownership gap.

Windstream's experience in serving rural customers has provided the company reason to consider ways to address this "computer gap." Windstream currently offers all customers the ability to purchase a Hewlett Packard desktop computer (the HP DX2450) for a one-time payment of $360, or a Hewlett Packard laptop computer (the HP 550) for a one-time payment of $480. Customers who make a two-year broadband commitment and meet certain creditworthiness requirements may purchase these computers using an installment plan. Customers under this scenario pay $15/month for the desktop model or $20/month for the laptop model for 24 months. Seventy-one percent of customers who purchased a computer from Windstream have used an installment payment plan. Windstream also has found that a disproportionate number of these consumers – just like those disproportionately likely to purchase TechHelp – are from lower-income households (with HHIs below $40,000 per year); are 65-years old or older; and/or only have achieved lower levels of education (high school or below). In other words, Windstream's program is increasing computer ownership among those populations most in need of computers.

---

[56] *Id.*

[57] *Connected Nation* at 7.

[58] *Id.* at 5.

The impact of Windstream's computer-ownership program, however, has been limited by its need to ensure the creditworthiness of particular consumers. An earlier iteration of the program applied more lenient creditworthiness requirements than those currently imposed. Under the earlier iteration, all existing Windstream customers were eligible to purchase a computer using the installment plan so long as they were customers of Windstream for six months and had a good payment history; new customers were eligible for the installment plan if their Equifax Telco 98 Score was equal to or greater than 620.[59] The design of the earlier iteration, however, led to many customer defaults and revenue losses for Windstream.[60] As a result, Windstream determined that it had to limit eligibility for the installment plan to ameliorate the risk of customer defaults. Now customers can purchase a computer using the Windstream installment plan only if they (1) have been a Windstream customer for 6 months, (2) have a good payment history with Windstream, and (3) have an Equifax Telco 98 Score credit score of at least 680 or have been a Windstream customer since before the time when Windstream began retaining customer credit information. Under the new requirements, the percentage of new broadband subscribers purchasing a computer now is just about one-third of what it was before Windstream had to modify its credit policy.

Windstream's proposed federal computer ownership proposal is designed to replicate the benefits of the company's own success-proven plan, while remedying the problems caused by users' credit problems. First, by subsidizing Lifeline/Link-Up families' computer purchases, the

---

[59] Existing customers who had been with Windstream for less than six months were required to have a good payment history and meet the credit score requirement for new customers.

[60] Windstream attempts to recover lost revenues through its standard collection processes, but such measures often are not successful.

proposal would help promote first-time broadband use, which – as detailed above – is likely to increase the value users place on broadband service.[61] Indeed, a $200 subsidy would reduce the per-month user payments associated with Windstream's desktop computer program to less than *seven dollars* per month. Second, by guaranteeing all users' installment plan payments, the government could help ensure that many more customers are eligible for such installment plan computer purchases. Connected Nation found that 24 percent of individuals without a computer cited "the up-front cost" as a barrier to ownership.[62] This barrier would be substantially reduced by the ability to amortize payments over the course of several years.

As with the proposed service-plan subsidies, there are important pitfalls that must be avoided with respect to any computer-ownership plan. In particular, the pilot program on which the Commission sought comment in late 2008 would have required participating broadband providers to "make available a wide array of cost efficient broadband Internet access devices capable of providing the speeds described above to qualified consumers…."[63] This requirement would unduly favor the very largest companies, which are more likely to have existing relationships with equipment manufacturers, and a customer base large enough to justify bulk discounts across many product lines. In contrast, small and mid-sized companies with fewer resources at their disposal would have more difficulty shouldering the administrative burden of offering a wide array of devices. The requirement also might make it more difficult for small

---

[61] The purchase of a subsidized computer should be linked to initiation of broadband service by first-time users to ensure that the government is not merely subsidizing upgrades, with little or no impact on broadband adoption.

[62] *Connected Nation* at 2.

[63] *2008 USF/ICC Notice* at App. A ¶ 90.

and mid-sized companies to secure bulk discounts for individual devices that they offer. Nor is it at all clear that a "wide array" of devices would benefit customers. As discussed above, Windstream's program has been effective in expanding computer ownership in key populations, even though it involves only one desktop model and one laptop model.

E. The Commission Should Facilitate Voluntary Outreach But Should Not Mandate Provider-Sponsored Educational Initiatives.

Finally, the Commission should seek to eliminate barriers to effective outreach by broadband providers, rather than impose new top-down mandatory education requirements. First, the National Broadband Plan should recommend that federal government officials prohibit cable television operators' from blocking competing broadband providers' advertisements at the local level. Local cable television advertisements are especially effective in reaching rural consumers. They offer the ability to target granular geographic areas (in contrast to large designated market areas used by broadcasters),[64] as well as specific audiences (e.g., senior citizens watching the History Channel). Windstream's research also suggests that individuals who have not adopted broadband are likely to exhibit high television viewership, especially during daytime hours.

Cable operators, however, have significantly limited competing broadband providers' ability to use cable advertisements at the local level.[65] Indeed, generally all major cable

---

[64] Broadcasters' designated market areas are sizable and almost always encompass a large number of consumers outside of Windstream's territory. For example, Windstream advertises on all network affiliates in the Lexington, Kentucky market, but only approximately 40 percent of the households that view the advertisements can purchase Windstream's broadband service.

[65] By way of background, a cable network (e.g., ESPN) typically sells some of its advertising slots directly to companies seeking to market products across wide areas (nationwide or entire regions), while allocating other advertising slots to local cable operators that sell advertisements
(continued on next page)

providers in Windstream's footprint – including Cox, Comcast, and Time Warner – refuse to take Windstream's local advertisements.[66] These refusals apply not only advertisements intended to promote specific Windstream broadband products, but also to advertisements merely intended to reinforce Windstream's brand and presence in the local communications marketplace. Permitting cable operators to continue their anticompetitive practice of blocking competing providers' advertisements is contrary to federal antitrust laws[67] and – as has been recognized by consumer organizations like Media Access Project and Consumers Union – unduly restricts the free flow of information that consumers need to make educated choices about products and services available in the broadband marketplace.[68]

Second, the Commission should not specify consumer-education obligations for private parties. For example, the Plan's broadband adoption subsidy program should not replicate the

---

at the local level. The largest broadband providers, with large-scale networks, often can justify the cost of purchasing national or regional advertisements from cable networks, as these providers' services cover large territories. In contrast, small and mid-sized broadband providers like Windstream – which serve smaller, non-contiguous markets in rural regions – usually only can justify purchasing advertisements at the local level.

[66] The only exceptions to this rule are: (1) very small pockets of regional coverage by mom and pop cable operators (e.g., Blue Ridge Cable for D&E operations in Pennsylvania) provide local cable television advertising opportunities for less than 1 percent of Windstream's residential access lines, and (2) Windstream received very time-limited permission to notify customers that "Alltel" was being rebranded as "Windstream" in August 2006 – and even then Comcast and Insight refused to run any Windstream advertisements.

[67] *See* Hal J. Singer, *The Competitive Effects of a Cable Television Operator's Refusal to Carry DSL Advertising*, J. COMPETITION L. & ECON., 1–31 (2006) (concluding that cable operators' refusal to accept DSL advertising is anticompetitive and raises obvious antitrust issues).

[68] *See* David Lieberman & Andrew Backover, *Qwest, Comcast Duel Over DSL Ads*, USA TODAY, Apr. 29, 2003 ("'There's no First Amendment protection to use a monopoly to violate the antitrust laws,' says Media Access Project CEO Andrew Jay Schwartzman."); Akweli Parker, *Qwest Accuses Comcast of Censorship for Banning Its DSL Ads*, PHILADELPHIA INQUIRER, May 1, 2003 ("'Comcast is doing what any smart monopolist would do, as far as not letting competitors use their platform,' said Chris Murray, legislative counsel for Consumers Union.").

advertising requirements now associated with Lifeline/Link-Up.[69] These requirements can be burdensome, and carriers cannot recover their costs. Similar mandates in the broadband context could undermine some providers' incentives to participate in any broadband program. In any event, such advertising requirements are wholly unnecessary in the broadband market, where providers compete fiercely to win and maintain customers. In short, broadband providers already face incentives to advertise their service offerings optimally, and have an interest in serving customers whose bills are paid in part by the government, just as they do in serving customers not relying on a subsidy.

In addition, while Windstream does not oppose government-sponsored educational efforts to reduce barriers to adoption, it emphasizes that any private-sector educational efforts should be purely voluntary. In addition to potentially raising free-speech concerns, government-mandated educational outreach would impose costs of providers that would, in turn, *undermine* efforts to serve at-risk communities. Voluntary consumer-education efforts have had a history of success in similar contexts, and could well improve broadband adoption. For example, the California Public Utilities Commission ("CPUC") adopted in 2006 a cooperative educational initiative regarding consumer protection issues.[70] That initiative contemplated that the dissemination of information would "be led by the [CPUC] staff,"[71] but noted that "carriers, community based organizations, and organized consumer groups, among others, may assist in

---

[69] *See* 47 C.F.R. §§ 54.201(d)(2), 54.405(b).

[70] *Decision Issuing Revised General Order 168, Market Rules to Empower Telecommunications Consumers and to Prevent Fraud*, Rulemaking 00-02-004, Decision 06-03-013 (March 2, 2006), *available at* http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/54293.pdf.

[71] *Id.* at 125.

the distribution of educational materials."[72] The CPUC also contemplated participation by "local government, the Chamber of Commerce, the Department of Social Services, and other governmental agencies involved with consumer affairs, senior centers, schools, and libraries."[73] The CPUC has reported extensive outreach and educational efforts resulting from this initiative.[74]

---

[72] *Id.* at 128.

[73] *Id.* at 129.

[74] *See, e.g.*, *Supplemental Report of the 2006 Budget Act: Response to Item 8660-001-0462, Progress Implementing the Telecommunications Bill of Rights Decision: The Consumer Protection Initiative* (Jan. 7, 2008), *available at* http://docs.cpuc.ca.gov/published/REPORT/78420.htm.

CONCLUSION

Broadband adoption remains a critical challenge in rural America, and the National Broadband Plan should adopt or urge action aimed to expand adoption in rural areas. For the reasons discussed here, Windstream urges the Commission to adopt or recommend a plan that responds to the needs of rural customers by easing and subsidizing broadband installation and service initiation; supports recurring broadband costs for those most in need; and addresses barriers to computer ownership. Windstream looks forward to working with the Commission as it considers these and other issues in framing its National Broadband Plan.

Respectfully submitted,

Windstream Communications, Inc.

Eric N. Einhorn
Jennie B. Chandra
Windstream Communications, Inc.
1101 17th Street, NW, Suite 802
Washington, DC 20036
(202) 223-7664 (phone)
(202) 223-7669 (fax)

Its Attorneys

December 2, 2009