



February 23, 2011

EX PARTE

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington DC 20554

Re: CC Docket No. 96-45 and WC Docket No. 03-109

Dear Ms. Dortch:

USTelecom submits this letter to urge the Federal Communications Commission to develop and implement a test project that would provide a statistically valid evaluation of concepts to determine whether and to what extent various concepts or combinations of concepts effectively increase broadband adoption by low-income households. USTelecom anticipates the Commission releasing a Notice of Proposed Rulemaking on design of a program to encourage broadband adoption among low-income consumers at its March open meeting.¹ In order to develop the most efficient and effective long-term mechanism, the Commission should embark on a project to test various components of a broadband adoption program. Consistent with Recommendation 9.1 of the National Broadband Plan² and USTelecom's prior recommendations,³ such a project would enhance the Commission's ability to design an adoption strategy that is right from the start – efficient, effective, implementable and auditable.

Potentially the test project and data gathering could be implemented in conjunction with non-profit organizations (such as the Joint Center for Political and Economic Studies), hardware manufacturers, and broadband service providers. In order to produce meaningful data that would permit the Commission to thoughtfully design a permanent program in an expedited manner, USTelecom recommends a test period of between 18 and 24 months. For purposes of the test project, broadband services should be able to provide downstream advertised speeds of at least 3 Mbps to eligible low-income households.

The test project should be conducted according to several general precepts. For each participating broadband provider, it should have a "control group" and corresponding "test

¹ See FCC News Release, *FCC Announces Tentative Agenda for March 3rd Open Meeting*, February 10, 2011.

² See *Connecting America, The National Broadband Plan*, released March 2010. Recommendation 9.1 and its third bullet read as follows: "The Federal Communications Commission (FCC) should expand Lifeline Assistance (Lifeline) and Link-Up America (Link-Up) to make broadband more affordable for low-income households." "The FCC should facilitate pilot programs that will produce actionable information to implement the most efficient and effective long-term broadband support mechanism."

³ See letter from Jonathan Banks, Senior Vice President, Law and Policy, USTelecom, dated January 25, 2010, filed in GN Docket Nos. 09-47, 09-51 and 09-137.

groups,” which should be drawn from separate areas with similar geographic and socioeconomic conditions. In order to develop the most useful information at a reasonable cost, it should only address low-income households that do not have broadband at the inception of the subsidy offer. And it should have a representative mix of samples in both urban and rural areas.

The goal of a test project should be to gather actionable information about the effects of different programs designed to increase the adoption of broadband by low-income households. All tested options must be scalable. An efficient program design will have three components – research; program design and implementation; and evaluation. The research component will include an understanding of the current distribution of any existing subsidies for broadband adoption among low-income individuals, which will help with program design and site selection. That will lead to an analysis of the targeted populations to identify the pilot communities. Such identification should take into account income thresholds, access to broadband services, and access to digital literacy and/or technical support that can affect program enrollment.

There are several key components to program design and implementation. The components can be assembled in various combinations based on the number of treatment groups that can realistically be tested and evaluated during the proposed test period. The initial component would be to identify three “treatment groups” for testing broadband service subsidies within the designated timeframe. The groups should include (1) consumers who receive the monthly discount without any phasing out (discount elimination) over the program period, (2) consumers who receive the monthly discount with discount elimination at some defined point (most likely after 12 months) in the program period, and (3) a control group of consumers who do not receive any type of monthly discount, and subscribe to services at the market rate. Participants would be subject to a longitudinal study where they are surveyed three times over the course of the project – prior to program enrollment, several months into the program, and upon completion of the subsidy. It is important to test for discount elimination to determine whether experience with broadband changes the low-income consumer’s perception of its value proposition. If such changes are present and can be quantified, the funding allocated to the program could be equally effective and much more efficient than a program without discount elimination. Broadband provider discounts should range from \$10 to \$15 off of the broadband service provider’s market price for a qualifying service of at least 3 Mbps downstream.

The Commission also may want to consider including a hardware component as a part of the program’s design and implementation. The eligibility criteria for receiving a computer as part of the program would need to be determined, and the mechanism for computer acquisition identified. An option that could be considered, among others, is vouchers that could be used at any retail outlet for a standard computing device with appropriate functionality offered by hardware manufacturers.

A digital literacy/technical support component also should be considered. Any such component should be designed and implemented by the Commission to adhere to a standard format, regardless of the broadband provider or computing device. And it must be able to be

implemented in both high-density areas where low-income consumers may have nearby access to a facility like a community center or library and in low-density rural areas where such access may be extraordinarily inconvenient or impossible.

Program evaluation can be accomplished by carefully evaluating the treated and untreated groups with various different subsidy programs and then applying econometric techniques to estimate the differential adoption rates and the subsidy per household added. This must be undertaken in an academically rigorous way and be structured carefully to accomplish the desired goal at reasonable cost. An important element of that rigor includes working with state governments on a consistent identification of eligible households, and potentially by working with state governments to verify eligibility.

Next is the need to measure broadband adoption rates. Ideally, a well-designed random experiment should measure adoption rates both before and after the test. Such information is competitively sensitive and would need to be afforded appropriate confidentiality protections.

Perhaps the most challenging element of implementing and evaluating a test project of this type is in the accuracy of its results and its national application. Only a relatively small sample size is required to develop statistically valid results. The information about the benefits of the test project must be made available to potential test subjects in a way that is both cost effective and useful for extrapolation purposes. In addition to statistical analyses, it may be useful to develop a smaller sample of rural and urban households for on-on-one interviews and/or structured focus groups. These findings will help the FCC, industry and scholars gauge the impact of the federal subsidies on increasing broadband adoption among low-income households.

Because support provided to low-income consumers to encourage broadband adoption may necessarily include a plethora of entities – broadband service providers, hardware manufacturers, and those who assist with digital literacy – it is extraordinarily important that such a program be administered in an efficient and consistent manner. For example, such a program should use uniform nationwide criteria for customer eligibility and utilize a national database for verification. The administrative design of current low-income programs for voice is not appropriate for broadband services, and includes no useful analogues for any hardware and digital literacy components of a broadband adoption program. The test project could serve as a template for a more efficient model, which centralizes administration of the program in a government or quasi-government organization as opposed to the overly complex and burdensome system of having providers perform the majority of administrative functions.

USTelecom and its members look forward to assisting the Commission in designing comprehensive policies that support sustainable broadband adoption among all low-income users.

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Pursuant to Commission rules, please include this letter in the above-referenced dockets.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Cohen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David B. Cohen
Vice President, Policy, USTelecom

cc: Kimberly Scardino
Rebekah Bina
Carol Matthey
Elise Kohn
Zachary Katz
Angela Kronenberg
Bradley Gillen
Christine Kurth
Margaret McCarthy