

UNITED STATES OF AMERICA
FEDERAL COMMUNICATIONS COMMISSION

NATIONAL BROADBAND PLAN WORKSHOP
OPPORTUNITIES FOR SMALL AND DISADVANTAGED
BUSINESSES

Washington, D.C.

Tuesday, August 18, 2009

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 PARTICIPANTS:
2 Panel 1: Institutional and Governmental Views
3 THOMAS A. REED
4 MARGOT DORFMAN
5 CHERYL M. JOHNS
6 TIMOTHY MCNEIL
7 DAVID FERREIRA
8 RAYMOND J. KEATING
9 MARK GAILEY
10 Panel 2: View from SDB Broadband Entrepreneurs
11 THOMAS A. REED
12 ANTHONY WASHINGTON
13 HUNG NGUYEN
14 TODD FLEMMING
15 J.C. COLES, PRESIDENT
16 Panel 3: View from Traditional Ol-Line Businesses
17 in the Age of Broadband
18 THOMAS A. REED
19 WARREN BROWN
20 CHARLES RAMOS
21 AURIA STYLES
22 CLEVELAND SPEARS

1 P R O C E E D I N G S

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

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

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

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

20 Good afternoon, everyone.

21 SPEAKERS: Good afternoon.

22 COMMISSIONER CLYBURN: Thank you very

1 much for making me feel at home.

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

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

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

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

22 This initiative is designed to encourage

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

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

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

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

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

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

19 (Applause)

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

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

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

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

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

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

1 Internet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 We ask that you put in place a policy to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 this issue would be beneficial.

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

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

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

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

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

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

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

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

1 have a tremendous impact on the communities all
2 across America.

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

12 Thank you.

13 MR. REED: Thank you, Margot.

14 Immediately to my left, Cheryl M. Johns in the
15 Assistant Chief Counsel, Office of Advocacy, Small
16 Business Administration.

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

1 broadband technology.

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

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

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

17 We file public comments and work with
18 agencies to reduce the regulatory burden on small
19 businesses. Last year, we saved small businesses
20 \$2.2 billion in cost savings.

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

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

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

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

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

19 There are roughly around 12,000 SDBs
20 within the Central Contract Registry that meet the
21 SBA's definition. Now that's not to say that
22 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

1 commercial rent are more favorable to this
2 development. Broadband can help this with
3 telecommuting, home-based businesses, and actually
4 52 percent of all small businesses are home-based.

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

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

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

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

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

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

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

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

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

22 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

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

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

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

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

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

1 remain competitive in an increasingly
2 international marketplace.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 So these communities are really lacking
14 in the opportunities.

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

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

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

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

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

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

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

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

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

15 Mr. Ferreira.

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

1 rapid technological growth and the subsequent
2 evolution of the marketplace.

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

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

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

22 It (inaudible) specifically the

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

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

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

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

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

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

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

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

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

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

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

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

22 And Brookings report followed with a

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

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

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

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

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

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

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

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

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

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

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

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

1 country.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 There are four things that I'd like to
22 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

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

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

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

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

1 is stepping in and setting those controls.

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

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

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

22 Final one: In terms of broadband

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

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

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

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

1 Gailey.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 Thank you.

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

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

22 Anyone can start.

1 MR. KEATING: Start here?

2 MR. GAILEY: Are you asking me?

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

10 MS. JOHNS: I'm happy to start.

11 MR. REED: Please.

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

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

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

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

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

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

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

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

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

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

18 MR. McNEIL: One.

19 MR. REED: Mr. McNeil, go ahead.

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

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

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

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

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

1 MR. REED: Okay.

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

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

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

21 MR. REED: Okay.

22 MS. GAILEY: Some of us have been a

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

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

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

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

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

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

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

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

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

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

1 But, you know, if you're able to get a service for
2 \$30 in a metro area, you should be able to get the
3 same service in a rural area at, you know, \$35,
4 maybe \$40, but it should still be reasonable and
5 comparable.

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

11 Does the definition matter?

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

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

1 status.

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

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

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

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

19 MR. REED: Mm-hmm.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 What would assist telecommunications

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

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

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

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

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

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

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

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

19 MS. JOHNS: I think honestly a
20 reevaluation of competition in the market is
21 something that at least our constituents would
22 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

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

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

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

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

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

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

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

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

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

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

1 is no one size fits all.

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

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

9 So we're going to need more information.

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

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

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

22 On a federal level, the FCC here in

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

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

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

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

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

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

10 Okay.

11 MR. GAILEY: Thank you.

12 (Applause)

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

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

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

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

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

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

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

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

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

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

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

3 It took the i-Pod three years to obtain
4 50 million users. It took Facebook two years to
5 obtain 50 million users.

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

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

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

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

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

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

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

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

22 Kind of three important points here when

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

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

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

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

22 It's almost like Internet is addictive.

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

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

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

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

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

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

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

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

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

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

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

21 There's no understanding of how the
22 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

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

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

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

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

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

22 I'm talking about a place that gives

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

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

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

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

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

1 who don't have connection to that world.

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

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

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

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

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

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

1 more opportunities in the hands of our youngsters.

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

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

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

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

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

1 community.

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

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

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

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

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

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

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

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

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

1 how to utilize the Internet for economic
2 empowerment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 So I may have to actually physically

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 I wanted to spend a little bit of time

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

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

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

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

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

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

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

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

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

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

1 have a lot of people to maintain it.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 I know that comes with a cost. And

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

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

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

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

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

1 us the entire time.

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

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

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

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

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

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

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

7 But if you remember back then, back in
8 '82, '83, a lot of people couldn't afford a
9 cellular telephone. In fact, most of your
10 cellular telephones had to be in your car. A lot
11 of people didn't have cars.

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

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

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

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

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

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

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

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

1 connectivity.

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

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

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

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

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

1 we got sued about that.

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

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

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

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

22 But anyway, we started providing these

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 bringing that to your house.

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

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

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

17 One of the things through osmosis and
18 opportunity, we realized in dealing with the
19 President Jerry Rollins that they had this --
20 Ghana is about the size of Georgia, probably about
21 6 million people. And 2 million or 3 million live
22 in Accra. The rest live out in the areas where

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

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

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

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

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

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

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

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

22 The larger companies, the AT&Ts, the

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

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

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

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

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

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

1 hope that was enough for a day.

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

11 That's open to anybody.

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

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

1 telecommunications to everyone.

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

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

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

1 Induced maybe. Tax incentives maybe.

2 Public-private partnerships.

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

10 What thoughts do you have on that?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 I can hand you the question.

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

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

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

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

22 Here's how you can -- here are resources

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

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

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

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

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

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

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

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

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

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

1 by going to each person's doorstep.

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

4 MS. HORTON: Mr. Coles?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (Recess)

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

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

1 other companies were actors.

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

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

10 MR. REED: Is the mike on?

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

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

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

1 doughs.

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

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

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

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

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

1 really leverage my time in enormous and tremendous
2 ways.

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

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

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

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

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

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

22 It's just a great way for us to again

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

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

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

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

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

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

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

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

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

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

1 just kind of a general practice.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 telecommunications infrastructures just to stay
2 competitive.

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

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

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

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

22 These aspects of running my business are

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

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

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

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

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

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

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

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

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

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

1 in telephony and CTI, computer teleco integration.

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

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

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

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

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

1 business and losing accounts.

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

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

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

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

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

1 surrounded by the operators or staying at home.

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

7 Broadband connections are the only way
8 to guarantee this experience.

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

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

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

1 efficiency, customer satisfaction, and predictable
2 workforce management.

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

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

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

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

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

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

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

11 Thank you for your opportunity and the
12 initiative.

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

19 MS. STYLES: Well, thank you, Director
20 Reed. I'd like to Carolyn Flemming for inviting
21 me here today to speak with you all. I think
22 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.

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

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

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

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

1 meltdown and the overflow into the broader
2 economy.

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

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

12 There are a number of additional
13 industry- specific online advertising vehicles,
14 which have yielded really great results and great
15 publicity for our business in trade publications
16 and those are -- again, they're online
17 distribution lists that, you know, reach over
18 30,000 potential retailers, which is fantastic
19 exposure for us. It got my product into some
20 very, very, you know, highly regarded industry
21 publications and actually yield -- has resulted in
22 the line being carried by one of, you know, a

1 minor regional chain.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 But I think for a, you know, a small
20 business that is trying to get off the ground, one
21 of -- I mean search is critical and being able to
22 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

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

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

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

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

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

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

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

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

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

21 And it gets credited to me, but if you
22 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

1 through your cell phone.

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

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

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

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

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

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

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

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

21 I think it's replicated across a lot of
22 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 expertise and your experiences and add that to the
2 debate.

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

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

11

12 (Whereupon, the PROCEEDINGS were
13 adjourned.)

14

* * * * *

15

16

17

18

19

20

21

22

1 CERTIFICATE OF NOTARY PUBLIC

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

14 /s/Carleton J. Anderson, III

15

16

17 Notary Public in and for the

18 Commonwealth of Virginia

19 Commission No. 351998

20 Expires: November 30, 2012

21

22

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190