

**Prepared Statement of Chairman  
Julius Genachowski  
Federal Communications Commission**

**Hearing on “Digital Divide: Expanding Broadband Access to Small Businesses”  
U.S. House of Representatives  
Committee on Small Business**

**July 18, 2012**

Chairman Graves, Ranking Member Velazquez, members of the committee, thank you for the opportunity to be here today.

I’m pleased to join my federal partners – NTIA Administrator Strickling and RUS Administrator Adelstein.

My primary focus as FCC Chairman has been promoting innovation, investment, competition, and consumers in the Information and Communications Technology sector. We’ve focused the agency on maximizing the benefits of broadband communications, and on helping harness wired and wireless broadband to grow our economy, enhance U.S. competitiveness, and create jobs, as well as advancing important goals like improved education, health care, and public safety.

A key element of our strategy has been empowering small businesses.

As this Committee well knows, American small businesses are key drivers of economic growth and job creation. Broadband is increasingly important to the future of small business.

It enables small businesses to grow and jobs to be created anywhere, not only in urban markets but in small rural towns.

Broadband allows small businesses to market their products and reach customers in the next neighborhood, the next city, the next state, and even overseas, increasing their revenue.

And broadband allows small businesses to lower their costs through cloud-based services. Increased revenue. Lower costs. More profits. More jobs.

More than 1 million entrepreneurs – a large percentage of which are small businesses – are selling products on the eBay, Amazon, and other platforms. Doing so requires broadband access.

Over the past three years, the FCC has taken a number of actions to help more small businesses seize the opportunities of broadband.

Let’s start with universal service reform.

Today, 18 million Americans – including many small business owners – live in areas where they can't get broadband.

But the Universal Service Fund we inherited was not addressing that gap. It was optimized for telephone service, not broadband. It had become inefficient and even wasteful, sending money, for example, to multiple providers in one community, and none to other communities, and it did not have adequate accountability, allowing recipients to control their own funding spigot.

Last December, I'm proud that the FCC unanimously approved a once-in-a-generation overhaul of the Universal Service Fund – transforming this 20th century program that supported phone service into a 21st century, fiscally responsible Connect America Fund that supports broadband. These reforms put us on a path to connect all unserved Americans and small businesses by 2020. Just last week, one provider, Frontier, announced that it will be deploying broadband to about 200,000 unserved Americans as part of our reforms.

Our reforms will also help ensure that consumers – including small businesses – paying into the fund get a fair bang for their buck. FCC staff estimates that roughly a quarter of all universal service contributions are paid by small businesses – over \$2 billion per year. That's one reason we've set out to eliminate waste and inefficiency throughout USF.

These efforts are complementary to the important work to ensure broadband availability by NTIA and RUS. Altogether, these cooperative efforts with our federal partners are helping more small businesses seize the opportunities of broadband.

The Commission is also taking a number of steps to help small businesses access the productivity and marketing tools of mobile broadband. The new Mobility Fund, which was established as part of our universal service reform, will spur the build out of advanced mobile networks in unserved rural areas. And we freed up the largest amount of spectrum for unlicensed use in 25 years – giving small businesses a new platform for wireless innovation.

We can help small businesses not only by making sure they have access to broadband, but also by helping ensure they have the basic digital skills to use online resources and applications. Most small businesses have broadband access, but 58% don't have a website. That's 15 million businesses.

That's why the FCC, working with the Small Business Administration, created a public-private partnership to leverage SCORE – SBA's network of more than 10,000 volunteer business counselors – to provide broadband tools, training and support for small businesses. This is just a part of our cooperative efforts with SBA.

Also, the FCC's Office of Communications Business Opportunities has conducted multiple workshops to educate small business owners on the opportunities of broadband, in addition to hosting networking events to connect small business owners with potential partners and sources of capital.

The freedom and openness of the Internet has enabled small businesses in dorm rooms and garages to grow into some of the most successful companies in the world. The FCC has adopted common sense rules of the road to preserve Internet freedom and openness and ensure the Internet remains a platform for small business innovation and job creation.

The Commission has also taken significant steps to help small businesses protect themselves from the growing risks of cyber attacks.

Working with the Small Business Administration, the Chamber of Commerce, the National Urban League, and private companies, we developed and released a Cybersecurity Tip Sheet and Small Business Cyber Planner, describing a number of commonsense steps small businesses can take to improve their security.

And as the result of an FCC-led process on cybersecurity, ISPs serving 90% of all U.S. residential broadband subscribers have committed to adopting voluntary, concrete measures to combat three major cyber threats: botnets, IP route hijacking and domain name fraud.

Through its public safety responsibilities, the Commission also aids small businesses. The recent storm that caused significant power and communications outages from the Midwest to the mid-Atlantic cost small businesses and consumers severely, and knocked out vital emergency communications.

The FCC coordinated with FEMA and others to assess and respond to the outages, and immediately after restoration launched an investigation into the Mid-Atlantic outages so that we can better avoid these communications disruptions in the future and make people safer. We are expanding that investigation to seek public comment from a broader set of stakeholders, with the goal of identifying the steps to make our communications and emergency services nationwide more reliable and resilient.

We take seriously the President and Congress' directive that we minimize the impact of our rules on small businesses, and the FCC always considers the impact of our actions on small businesses and now takes many steps to address the unique issues of small businesses.

Spurred by small businesses, we've had a lot of good news in our broadband sector in the last three years.

For example, the apps economy, which is largely been driven by small businesses, has already created nearly 500,000 new jobs and continues to grow.

For all our progress, there are still real challenges ahead, including the spectrum crunch that threatens to stifle mobile innovation and eCommerce; the need to drive continued improvements in broadband speeds and capacity; and the broadband adoption gap that leaves tens of millions of customers out of reach of small businesses.

I look forward to working with members of this committee and to answering your questions. Thank you.