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WWW.CONNECTEDNATION.ORG

P.O. Box 3448  
BOWLING GREEN, KY 42102

1-877-846-7710

**VIA ECFS AND EMAIL**

October 13, 2015

Hon. Tom Wheeler, Chairman  
Commissioner Mignon Clyburn  
Commissioner Jessica Rosenworcel  
Commissioner Ajit Pai  
Commissioner Michael O'Reilly  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: *Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to Transfer Control of Licenses and Authorizations*, MB Docket No. 15-149.

Dear Mr. Chairman and Commissioners:

Connected Nation, Inc., is a nationwide 501(c)(3) non-profit organization dedicated to promoting and advancing the access, adoption, and use of broadband technology. For over ten years, Connected Nation has operated state-based broadband initiatives, in partnership with state governments, to identify broadband availability and adoption gaps, to engage communities regarding the effective adoption and use of broadband technologies, and to develop targeted solutions to these gaps. Several of our state programs, including Connect Michigan, Connect South Carolina, and Connect Ohio, work directly to help expand broadband access and adoption in areas in which the proposed New Charter would operate.

As part of the proposed transaction, Charter, Time Warner, and Advance/Newhouse (Bright House) propose to extend Bright House's low-cost broadband adoption program to the entire merged company's footprint.<sup>1</sup> While details of the expansion are not available, this significant proposed expansion of the Bright House program's reach has the potential to benefit millions of low-income consumers throughout the country. In Michigan, Ohio, and South Carolina, where Connected Nation maintains state-based broadband initiative programs, we estimate that there are nearly 1.5 million low-income households<sup>2</sup> in the broadband service areas of the proposed New Charter. Nearly half of these households (48%) do not have broadband today.

In this letter, Connected Nation provides its views on the potential public interest benefits of this proposed low-income adoption program.<sup>3</sup> In several license transfer orders issued in recent years, the Commission has

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<sup>1</sup> *Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to Transfer Control of Licenses and Authorizations*, MB Docket No. 15-149 (filed June 25, 2015), <http://appsint.fcc.gov/ecfs/comment/view?id=60001079178>, Public Interest Statement at 20 ("New Charter will build upon Bright House Networks' broadband program for low-income consumers by making a broadband offering available with higher speeds and expanded eligibility while continuing to offer the service at a significant discount, and will begin making the offer available within six months after the transaction closes and offer it across the New Charter footprint within three years of closing.").

<sup>2</sup> Connected Nation defines "low-income" as households with an annual income of \$25,000 or less.

<sup>3</sup> These comments are limited to the potential public interest benefits of the low-income adoption program proposed by the applicants. The public interest standard for approving the transaction requires the Commission to balance the overall public interest impact of the proposed transaction. See 47 U.S.C. § 310(d). Connected Nation takes no position on the other public interest impacts that are potentially implicated by the proposed transaction, and Connected Nation does not take a position on the overall outcome of that public interest balancing test.



consistently found that the availability of an affordable, low-price standalone broadband service contains significant public interest benefits.

### **The Broadband Adoption Gap is Persistent and Particularly Wide for Low-Income Populations**

The broadband adoption gap is the single most important challenge that technology policymakers face today. The reality that a large share of the most disadvantaged portion of the U.S. population remains disconnected from broadband Internet increases the cost of government services, hinders the quality of education, and acts as a handbrake on the economic and social growth of the country. Moreover, failure to solve the broadband adoption gap risks creating a society divided between the connected and the disconnected—an “Internet underclass” that will face an ever-higher bar to be included and an ever-decreasing set of opportunities.

The U.S. first confronted the “digital divide” when beginning the effort to ensure ubiquitous broadband access, a challenge that has seen considerable progress, but which remains a problem in many rural areas today. The digital divide our society now faces involves not simply access but between the connected and those who do not adopt or use broadband service or to maximum extent. Broadband adoption and use among low-income households is particularly problematic, as it impacts education, job opportunities, and access to information and news.

There has been slow progress in closing the broadband adoption gap. Since the National Broadband Plan was released in 2010, the U.S. Census Bureau’s annual American Community Survey shows that broadband adoption overall has increased only slightly, from 68.2% in 2010 to 75.1% in 2014.<sup>4</sup> For low-income households, the broadband adoption gap is persistent. Connected Nation has been researching broadband adoption trends and barriers in Michigan, Ohio, and South Carolina since 2009, and those surveys reveal the gap’s tenacious grip:

- In **Michigan**, the low-income broadband adoption gap was 22 percentage points (53% to 75%), essentially unchanged in size from 2010 (45% to 68%).
- In **Ohio**, where Connect Ohio ran a statewide, free digital literacy training program in partnership with public libraries and other community institutions that reached tens of thousands of non-adopters, the low-income adoption gap has shrunk by 8 percentage points since 2010—but it still remains significant (56% to 76% adoption statewide).
- Low-income broadband adoption in **South Carolina** is 37% statewide.

There are many barriers to adoption, including perceived relevance, cost, a lack of digital skills, and availability. While each of these four main barriers is significant, the cost barrier is particularly important for low-income households. Connected Nation’s state-based research estimates that among non-adopting, low-income adults, cost is the top barrier to adoption, cited by 31% of all such adults as the main reason for having broadband service.

A low-cost adoption program that is targeted to the non-adopting, low-income population has the potential to deliver significant public interest benefits. Earlier this year, Connected Nation and Commission staff published a

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<sup>4</sup> U.S. Census Bureau, 2014 American Community Survey, Percent of Households with a Broadband Internet Subscription, [http://factfinder.census.gov/bkmk/table/1.0/en/ACS/14\\_1YR/GCT2801.US01PR](http://factfinder.census.gov/bkmk/table/1.0/en/ACS/14_1YR/GCT2801.US01PR) (75.1% of U.S. households with a broadband Internet subscription in 2014); Economics and Statistics Administration and National Telecommunications and Information Administration, U.S. Dep’t of Commerce, *Exploring the Digital Nation: Computer and Internet Use at Home* (Nov. 2011), [http://www.ntia.doc.gov/files/ntia/publications/exploring\\_the\\_digital\\_nation\\_computer\\_and\\_internet\\_use\\_at\\_home\\_11092011.pdf](http://www.ntia.doc.gov/files/ntia/publications/exploring_the_digital_nation_computer_and_internet_use_at_home_11092011.pdf), at 6, Figure 3, and Table B 2.



study of the willingness-to-pay of non-adopting adults.<sup>5</sup> That research study focused on non-adopting adults and how changes in broadband service cost would affect their decision to adopt. We found that a decrease in price of 15% would increase adoption of price-sensitive non-adopters by approximately 10%.<sup>6</sup> These results indicate that a low-cost broadband adoption program offering prices of \$10 per month (such as the current Bright House Networks program and the recently approved AT&T-DirecTV merger condition) could increase broadband adoption among price-sensitive, low-income non-adopters by approximately 50%.<sup>7</sup>

### **Potential Impact in Michigan, Ohio, and South Carolina**

Through its Connect Michigan, Connect Ohio, and Connect South Carolina state programs, Connected Nation has been working with the states, local governments, community institutions, and providers to advance the access, adoption, and use of broadband technology. Charter and Time Warner have been actively involved in many community and state technology planning teams that Connected Nation has convened in those states.

In Michigan, Ohio, and South Carolina, the proposed New Charter would offer broadband services to a substantial number of low-income households. Connected Nation estimates that there are nearly 1.5 million low-income households in the Charter/Time Warner/Bright House broadband service areas in these three states.<sup>8</sup> Of these households, nearly half do not subscribe to broadband today. As a result, the proposed low-income broadband adoption program could help connect over 121,000 low-income households in Michigan, 411,000 in Ohio, and 189,000 in South Carolina.<sup>9</sup> Any progress in connecting these disconnected low-income households would make a significant dent in the broadband adoption gaps that these states currently suffer.

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<sup>5</sup> Octavian Carare, Chris McGovern, Raquel Noriega, and Jay Schwarz, *The Willingness to Pay for Broadband of Non-Adopters in the U.S.: Estimates from a Multi-State Survey*, 30 INFO. ECON. & POL'Y 19 (March 2015).

<sup>6</sup> The research estimates the price elasticity of demand for broadband in this population to be -0.62.

<sup>7</sup> The Commission recently estimated that the prevailing urban rate for broadband service to be approximately \$50 per month for 10 Mbps download/1 Mbps upload service with a monthly 100 GB data allowance. The \$50-per-month average urban price can be inferred from the results of the FCC's urban rate surveys that are used to administer the Connect America Fund. In exchange for network infrastructure subsidies, Connect America Fund recipients must offer broadband service at prices within a "reasonable comparability benchmark" to urban broadband rates. The FCC sets this benchmark at two standard deviations higher than the nationwide average urban rate. In April 2015, the FCC set the benchmark for 10 Mbps download/1 Mbps upload with monthly 100 GB data allowance at \$71.41/month with a standard deviation of \$11.047/month, implying that the average urban rate is approximately \$49.046/month (\$71.41 minus 2 x \$11.047). *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, WC Docket No. 10-90, Public Notice, DA 15-470 (Wireline Comp. Bur. rel. Apr. 16, 2015); FCC Wireline Competition Bureau, 2015 Urban Rate Survey – Fixed Broadband Service Analysis, available at [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-333060A1.docx](https://apps.fcc.gov/edocs_public/attachmatch/DOC-333060A1.docx). Using the -0.62 price elasticity estimate from the Connected Nation/FCC staff paper, decreasing the price from \$50 per month to \$10 per month could be expected to increase broadband adoption by 49.6% ( $(\$10-\$50)/\$50 \times -0.62$ ) among price-sensitive, low-income non-adopters to whom that offer is made.

<sup>8</sup> This estimate is based on examining broadband availability and county demographic data to estimate the population with household income of less than \$25,000 per year in Charter and Time Warner service territories in Ohio (est. 935,616), Michigan (est. 258,034), and South Carolina (est. 301,141).

<sup>9</sup> Calculated using the estimated described in note 8 *supra* and Connected Nation survey estimates of the rate of non-adoption by low-income adults in Ohio (44%), Michigan (47%) and South Carolina (63%).



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To be effective, such programs should involve more than simply offering a lower price. Dr. John Horrigan's recent analysis of the Comcast Internet Essentials program found that digital literacy training and effective community institution outreach have been important elements of success in Comcast's program.<sup>10</sup> Barriers to adoption include more than just cost, and indeed, structural problems of poverty and neighborhood effects also impact adoption. Effective broadband adoption programs include partnerships with community institutions and offerings of formal digital skills training. Horrigan has labeled this the "PET model" of broadband adoption (Partnerships, Engagement, and Training).<sup>11</sup> Connected Nation believes that to fully realize the potential public interest benefits of the proposed program, New Charter's low-cost broadband adoption program would be improved by the inclusion of all these elements.

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Connected Nation welcomes this opportunity to share its views on the importance and potential public interest benefits of the proposed expansion of the Bright House low-income adoption program throughout the current Charter and Time Warner Cable footprints. As discussed above, experience has shown that when combined with community institution partnerships, engagement and training, low-cost broadband adoption programs can be very effective. In Michigan, Ohio, and South Carolina, Charter and Time Warner have been constructive and regular participants in Connected Nation's Connected Community Engagement Program and other technical services projects. With this foundation, we are optimistic that the low-income adoption program proposed as part of the transaction could have considerable public interest benefits.

Sincerely,

S/Thomas M. Koutsky

Thomas M. Koutsky  
Chief Policy Counsel  
Connected Nation, Inc.  
(202) 674-8409  
tkoutsky@connectednation.org

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<sup>10</sup> John Horrigan, PhD, *The Essentials of Connectivity* (Mar. 2015), [http://corporate.comcast.com/images/Final\\_IE\\_Research\\_Full\\_Paper.pdf](http://corporate.comcast.com/images/Final_IE_Research_Full_Paper.pdf), at 7 ("When broadband access is coupled with targeted training, adopters are more likely to transition from being mere adopters to those who use broadband to empower personal economic and social well-being. Broadband adoption programs should incorporate digital literacy and other training to ensure adopters become more empowered in that way.").

<sup>11</sup> John Horrigan, Ph.D., *The Training Difference: How Formal Training on the Internet Impacts New Users* (Mar. 2015), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2587783](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2587783), at 6-8.