

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

In the Matter of Applications of Comcast Corporation)
and Time Warner Cable Inc. and Spinco)
to Assign and Transfer Control of FCC Licenses) MB Docket No. 14-57
and Other Authorizations)
_____)

COMMENTS OF THE CALIFORNIA EMERGING TECHNOLOGY FUND

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The California Emerging Technology Fund (CETF) hereby submits Comments on the above-referenced Applications and Public Interest Statements relating to the proposed merger of Comcast Corporation (Comcast) and Time Warner Cable (TWC), and Comcast and Charter Communications (Charter), in accordance with the schedule set by the Commission in DA-14-986, released July 10, 2014.

I. Summary

Since 2011, Comcast and numerous community-based organization (CBO) partners have been assisting low-income families living in Comcast service areas in Northern California to sign up for Comcast Internet Essentials (CIE), a public benefit program approved by the FCC relating to the Comcast purchase of NBCUniversal. In the merger under consideration here, Comcast has proposed to the FCC to extend the CIE program to new service areas acquired from TWC as a public benefit.¹ CETF files these comments to provide the Commission with hard data on Comcast’s CIE performance in California to date, to request significant program improvements with goals, metrics, and accountability, and to propose an independently-managed fund for

¹ Public Interest Statement of Comcast Corporation. and Charter Communications, Inc. Charter-to-Comcast Exchange Transaction, MB Docket No. 14-57 (June 4, 2014)(Charter-to-Comcast Exchange Public Interest Statement) at 10-12.

broadband adoption outreach by experienced CBOs that could achieve bridging the Digital Divide for low-income school children in California.

CETF has monitored and analyzed the results to date of the CIE program in California, a major Comcast market and one that will gain Los Angeles County (10 million residents) through the proposed merger. In three years through December 2013, Comcast has signed up just 11% of the eligible population (families with K-12 children on the free-or-reduced-lunch National School Lunch Program (NSLP)) in California and 13% in the nation. *That is 35,205 households in California out of more than 313,000 eligible families. At this rate, it would take another decade for Comcast to reach just half of the currently eligible population.* This timeframe is not consistent with the 5-year timeframe set by this Commission in the recent E-rate Modernization Order to bring high-speed broadband and internal wireless connectivity to our nation's schools. The Commission's efforts in the E-rate docket coupled with the bold ConnectED initiative of the White House² should be combined with voluntary programs funded by major Internet Service Providers (ISPs) such as Comcast to provide affordable stand-alone Internet service to the *homes* of our nation's low-income families with school children. Without affordable Internet access at home, these children will not be able to perform Internet-enabled homework or research, further exacerbating the Achievement Gap.

If the corporate consolidations proposed by Comcast are approved, 87% of all California students on the free-and-reduced-lunch program will reside in Comcast service territory.³ This is why it is essential that the FCC hold Comcast accountable for making public verifiable subscription data available to accurately measure the company's performance in reaching CIE eligible households. Conservative analysis indicates that an estimated 1.3 million California

² <http://www.whitehouse.gov/issues/education/k-12/connected>

households (2.7 million school children) would be eligible for CIE in the newly-combined service territory of approximately 3.7 million households if the Comcast-TWC merger is approved.

Thus, CETF respectfully requests, in the event that the above-referenced merger is approved, the Commission mandate the following 5 requirements of CIE as a condition of the merger:

1. Include All Low-Income Households: Extend Internet Essentials program eligibility to all low-income households, not just those with K-12 school children. Currently, low-income seniors, veterans and people with disabilities are not eligible. Update the cable modem to a wireless modem to allow all members of a low-income household to connect to the Internet to leverage the program to any Wi-Fi enabled device, including the tablets many schools are providing students.
2. Set Performance Goals: Set a national goal for Comcast to increase Internet Essentials subscribership for eligible households (now at about 11% in California and the nation) to reach 45% in two years, and to continue the program until 80% adoption (subscriptions to all providers) is achieved in low-income neighborhoods in each major Comcast service area.
3. Capitalize an Independent Fund(s) and Coordinate with the States: Require Comcast to collaborate with states, such as California, that are major Comcast-TWC markets and have a strategic plan to close the Digital Divide. Additionally, the FCC should require Comcast to dedicate a sufficient amount to an independently-managed fund to engage experienced CBOs in broadband adoption to perform sign-ups in target low-income communities to achieve specific adoption subscribership goals.

4. Establish a National Advisory Oversight Committee: A national advisory committee overseeing Internet Essentials would provide feedback and input to the FCC in monitoring actual performance and progress to reach the goals and overcome the many problems that have limited subscribership in the program during the first three years.
5. Require Comcast to Offer Stand-Alone Internet Service: FCC should order Comcast offer a stand-alone Internet service, because low-income residents need to obtain Internet service at a reasonable rate, and not bundled with video, voice, security or other services. Additionally, Internet Essentials customers should not be disconnected if other Comcast services they have subscribed to are disconnected.

Finally, CETF recommends that Comcast be required to deploy high-speed broadband into priority unserved or underserved areas adjacent to or near its service areas (after merger), as designated by the California Public Utilities Commission (CPUC) relating to the California Advanced Services Fund (CASF) program in its Resolution T-17443⁴ and to continuously upgrade its network to meet service and performance requirements set by the CPUC.

II. Background of California Emerging Technology Fund (CETF)

CETF was founded in 2007 as a non-profit organization at the direction of the CPUC after the mergers of SBC-AT&T and Verizon-MCI in 2005. As a CPUC condition of approval for the mergers to provide a public benefit, AT&T and Verizon were required to contribute a total of \$60 million to CETF over 5 years “for the purpose of achieving ubiquitous access to broadband and advanced services in California, particularly in underserved communities, through the use of emerging technologies by 2010.” An independent governing board sets the priorities and

⁴ CPUC Resolution T-17443, Implementation of New Timelines for California Advanced Services Fund Applicants, at Appendix 4, “Broadband Infrastructure Priority Areas” (June 26, 2014)(CPUC Resolution T-17443).

approves the programs of the CETF with advice from a board of experts. CETF has offices in Northern California (San Francisco) and Southern California (Los Angeles).

The mission of CETF is to close the Digital Divide in California by breaking down barriers to high-speed Internet access at home. The goal is to reach 98% of all residences with broadband infrastructure and to achieve 80% home adoption by 2017. Since inception, CETF has provided more than \$31 million in grants to CBOs and public agencies for programs promoting broadband deployment and adoption to serve unconnected Californians, with a focus on rural communities, low-income disadvantaged neighborhoods, and people with disabilities. An example is the early work by CETF in the multi-lingual “*Get Connected!*” campaign targeting underserved communities in Southern California and the Central Valley.⁵ CETF also is a founder and major funder of the California Telehealth Network,⁶ a \$22.1 million grantee of the FCC Rural Health Care Pilot Program and one of the largest statewide telehealth networks in the nation.

Additionally, CETF assumed a leadership role related to the American Recovery and Reinvestment Act (ARRA) broadband projects, assisting the Governor’s Office, the CPUC, the State Legislature, and the California Congressional delegation to develop and secure ARRA broadband grants for the state.⁷ CETF received and managed two ARRA broadband grants with 19 CBO partners totaling \$14.3 million from the Department of Commerce National Telecommunications and Information Agency (NTIA). One grant focused on building broadband awareness and adoption and the second grant concentrated on workforce preparation improving

⁵ See description of CETF grant process for Get Connected: <http://www.cetfund.org/investments/GC-Grant-Overview>

⁶ <http://www.caltelehealth.org/about>

⁷ http://www.cetfund.org/files/Website%20Statement%2042409%20_2__0.pdf

training and access to careers in technology.⁸ CETF managed 19 sub-grantees resulting in more than 200,000 new broadband adoptions and over 2,700 jobs for low-income residents.

Beginning in 2008, CETF commissioned an Annual Statewide Survey to measure broadband adoption and hold itself accountable to metrics for reaching its goals. While CETF focused efforts over the last seven years have resulted in significant progress in connecting the poorest Californians to the Internet, the latest statewide survey by Field Research Corporation (Field) shows that California is still falling short of the 80% adoption goal. According to the 2014 Annual Statewide Survey, 25% of California households (fully one-quarter) do not have high-speed Internet at home. The following are the percentage of Californians with broadband at home by key categories:

- 46% of households with Spanish-speakers
- 53% of households earning under \$20,000 a year
- 47% of adults age 65 or older
- 59% of people with disabilities
- 32% of non-high school graduates

Thus, there continues to be significant broadband adoption work to do in California.

CETF has set an ambitious home broadband adoption goal of 80% by 2017, with no single demographic group (for example, low-income residents, Latino families, seniors, and people with disabilities) or region below 70%. It is clear to CETF that this goal cannot be met without focused programs funded by major and rural ISPs, the FCC, state and local governments, and CBOs to achieve broadband adoption for underserved communities.

⁸ CETF Annual Report, 2013, at page 20. <http://www.cetfund.org/files/CETF2012-2013ARwebRGB.pdf>

III. Comcast's Current Internet Essentials Program Falls Short

CETF strongly urges the Commission to require accountability and acceptable performance by Comcast on implementation of the "Internet Essentials" (CIE) broadband adoption program offered as a voluntary commitment in conjunction with the acquisition of NBCUniversal in 2010. The primary CIE elements are an affordable \$9.95-a-month broadband plan for low-income families of K-12 students eligible for free lunch on the National School Lunch Program (NSLP), a voucher to purchase a computer for \$150, plus access to some online or in-person computer training. Since the 2011 inception of CIE, Comcast expanded it to students receiving reduced-priced lunch, students in private or parochial schools, and home-schooled children. The CIE program was originally slated for three years, but was extended by Comcast (in conjunction with this corporate consolidation) saying it will be continued indefinitely.⁹

As part of its application, Comcast has pledged to continue and expand its Internet Essentials program to its new service areas should the merger be approved.¹⁰ CETF agrees with Comcast that this public benefit program should be expanded because it is critically important to close the Digital Divide and concurrently narrow the Achievement Gap for low-income students. CETF recommends that the CIE program be expanded with goals and accountability for subscription.

CETF is filing primarily to put on the FCC proceeding record a list of major problems that CBO partners have experienced firsthand with CIE during the past three years. While a worthy and ambitious project unmatched by any other major broadband provider, the Comcast Internet

⁹ <http://corporate.comcast.com/comcast-voices/comcast-to-present-consumer-and-public-interest-benefits-of-time-warner-cable-merger-to-congress>

¹⁰ Blog by David L. Cohen, Comcast EVP and Chief Diversity Officer, para. 6 ("We will expand our acclaimed Internet Essentials program, which has already connected over 1.2 million low-income Americans to the Internet, more than any other program of its kind."). <http://corporate.comcast.com/comcast-voices/comcast-to-present-consumer-and-public-interest-benefits-of-time-warner-cable-merger-to-congress>

Essentials program suffers from burdensome requirements for families to sign up and lacks sufficient corporate investment for successful implementation. CETF is confident that CIE can be greatly improved to achieve much better results by imposing meaningful changes to the program. Improving CIE is critically important in light of the recent FCC E-rate Modernization Report and Order,¹¹ and the President’s ConnectED initiative. The FCC needs to lead by “connecting the dots” -- connectivity at school must be coupled with connectivity at home for low-income students in order close both the Achievement Gap and the Digital Divide. These two critical goals must be *simultaneously* pursued in any education program using technology.

In California, Comcast is the dominant fixed wireline broadband provider, serving at present roughly the northern two-thirds area of the state. Comcast’s entry into the Los Angeles area via this proposed merger presents a huge opportunity for progress to be made on bringing affordable home broadband to students in this key cohort of unconnected low-income families. This is particularly important given the lack of sustained effort on broadband adoption by the current cable provider, Time Warner Cable (TWC).

TWC announced in 2012 a program similar to CIE as part of Connect2Compete (C2C) for 550 schools nationwide. Unlike CIE, the TWC program was extremely short-term and an abysmal failure. Dr. Martin Gomez, Ph.D, Instructional Leader at Santee Educational Complex of the Los Angeles Unified School District, described the situation best in a public letter to Senators Mark Pryor and Roger Wicker at their hearing on “Broadband Adoption: The Next Mile” on October 29, 2013:¹²

¹¹ In re Matter of Modernizing the E-rate Program for Schools and Libraries, Report and Order and Further Notice of Proposed Rulemaking, FCC No. 14-99, WC Docket 13-184 (adopted Jul. 11, 2014; rel. July 23, 2014).

¹² See Letter from Dr. Martin Gomez, at p. 80. <http://www.gpo.gov/fdsys/pkg/CHRG-113shrg88384/html/CHRG-113shrg88384.htm>

“Last year, several of [Los Angeles schools] located in some of the most economically challenged areas were invited to participate in a pilot program sponsored by Time Warner Cable (TWC), which according to the company’s own estimates serves one quarter of California households.

With much national publicity, TWC announced that it would offer a low-cost broadband offer at \$9.95 for families with students participating in the National School Lunch program at 19 Los Angeles-area schools. This pilot was offered for only two months, from October 1 until November 30, 2012, and without visible outreach by TWC to promote the program. Many of us had hoped the two-month pilot would offer valuable lessons on the enrollment process and marketing and customer service, which then would allow TWC to scale up the program to reach all students in the National School Lunch program. In fact, the pilot turned out to be a very short “limited time offer.” According to the California Emerging Technology Fund, TWC enrolled just 1,200 families nationally in 500 schools.

Even more disappointing, TWC did not offer any explanation why they stopped the discount program completely while other cable providers in California saw the value of helping low-income families subscribe to broadband at home.”

CETF has a ground-breaking educational technology program in California called School2Home, which is described in the CETF filing in the E-rate Modernization hearing WC Docket No. 13-184. This cutting-edge educational technology program brings one-to-one electronic devices to low-income middle school students in low performing schools, and provides intensive tailored training to teachers, administrators, and parents on using technology to help students learn and adopting broadband at school and at home. Having CIE extended for the first time to the Los Angeles market would be a “game changer” for low-income families that have lacked a sustained affordable broadband offer.

Comcast has touted its recent national results as connecting 350,000 households or about 1.2 million low-income people¹³ (estimated by Comcast at 3.2 persons per household, although Comcast lately has claimed an estimated 1.4 million people implying a presumed 4.0 persons per

¹³ Blog by David L. Cohen, Comcast EVP and Chief Diversity Officer, para. 6 (“We will expand our acclaimed Internet Essentials program, which has already connected over 1.2 million low-income Americans to the Internet, more than any other program of its kind.”). <http://corporate.comcast.com/comcast-voices/comcast-to-present-consumer-and-public-interest-benefits-of-time-warner-cable-merger-to-congress>

household). Yet, Comcast has signed up only 11% of eligible households in California and 13% nationally due to the many operational and resource problems described herein and based on data and first-hand experience from CETF and more than two dozen CBOs who have worked “in the trenches” to promote broadband adoption during the three years CIE has been offered. CETF and the partner CBOs have worked alongside the Comcast government affairs team in Northern California and the Central Valley and have repeatedly reported these problems to them. As such, CETF has well-grounded insights on what is working and what is not working about CIE.

Attachment A to these Comments consists of five letters from CBOs—California 2-1-1, Chicana/Latina Foundation, Mission Economic Development Agency, California State University, Fresno Office of Community & Economic Development, and Los Angeles Unified School District, Santee Education Complex—that are familiar with program shortfalls and, in the case of Los Angeles, speak to the impact of the lack of any affordable offer.

The following are the key problems and issues that CETF and our CBO partners have observed about the CIE program, based on the experiences and challenges encountered by actual prospective customers attempting to subscribe to CIE in the Greater San Francisco Bay Area, San Joaquin Valley, and Sacramento regions:

- Comcast Imposes Obstacles that Restrict Sign-Ups

The Comcast Internet Essentials application process often takes 2-3 months, far too long for low-income families that are skeptical about the service offer in the first place and have other pressing needs on their budgets. The waiting period between the initial call to Comcast and the CIE application arriving can be 8-12 weeks and sometimes the application fails to arrive at all. After submitting the application, another 2-4 weeks elapse before the computer equipment arrives at the family’s home.

The lack of a Social Security Number (SSN) means a CIE applicant often must travel long distances via public transportation to verify their identities in person at a Comcast business office. This has become harder in recent years because Comcast has closed a number of its customer-facing service offices particularly in low-income neighborhoods. A pilot program in Florida allows CIE applicants to fax or email in photocopied IDs; this pilot program should be expanded to all markets.

Comcast CIE representatives also sometimes will enroll the eldest child in the family in the program, even if there are younger eligible children in the family. A family is supposed to stay eligible for CIE until the last child on the NSLP program graduates from high school.¹⁴ By enrolling the eldest instead of the youngest child, the family could lose years of eligibility for the CIE affordable subscription.

Comcast's regular residential customer representatives tell callers they are unaware of the Internet Essentials program, and try to "up-sell" the customer a more expensive Internet package or wrongly tell a potential customer a SSN is required to enroll in CIE.

- Comcast Denies Service Contrary to Program Rules

Contrary to CIE rules, CBOs have observed that Comcast has conducted credit checks for some prospective customers. Dozens of potential customers have received Comcast letters saying they have failed a credit check, despite the fact that Comcast says that credit checks are not supposed to be run as part of this program. The act of performing a credit check can negatively impact the consumer's creditworthiness. Early on in the program, some CIE

¹⁴ See <http://learning.internetessentials.com/internet-essentials-support>. The third FAQ states, "Once enrolled, Internet Essentials participants will be able to continue receiving Internet service for \$9.95 a month plus tax as long as at least one child in their household continues to be eligible to participate in the National School Lunch Program and they do not: close their Comcast account [or] violate Comcast's Customer Agreement for Residential Service."

customer service representatives told potential customers they could pay a \$150 deposit to avoid a credit check, again contrary to program rules.

One recurring problem has been Comcast records that show erroneous information for some potential customers that they or prior residents at an address failed to return cable equipment in the past, thus denying them the ability sign-up for CIE based on this information. Until a recent decision (August 2014) by Comcast to forgive past-due bills and unreturned equipment in cases that are older than a year, low-income families had to make out-of-pocket payments before they could qualify.

The CBO partners working with CETF have voiced frequent complaints about the CIE subscription sign-up process. The Comcast online application process for CIE does not work consistently and, despite numerous complaints, has not been fixed. Since the start of the program, CBOs have requested an online registration process for CIE so they can help families sign-up on the spot at events like back-to-school nights and community technology fairs. The system delivered by Comcast is fraught with problems. For example, the site is unable to complete address eligibility searches and redirects the customer to the 1-855 toll-free number.

- Comcast Does Not Partner with Experienced CBOs

Comcast has not partnered significantly or sincerely with CBOs that are experienced in Digital Inclusion, have expertise and a proven track record in Digital Literacy training, and have relationships with schools. Instead, Comcast has continued to make small donations to organizations they historically have supported as part of corporate and community relations, not effective investments in partnerships for performance. For example, after initiating the TWC acquisition, Comcast announced donations of \$280,000 to non-profit organizations in Colorado

(with 850,000 current customers) and just \$150,000 to organizations in California (with a larger market of 2.2 million customers and more than 313,000 households currently eligible for CIE).

Although Comcast has assigned its government affairs staff to do outreach to school districts (the only entities that have the confidential information about which students are on free-or-reduced lunch), as CETF warned, school officials do not want to be the “front” for a private company and the recipient of complaints about the problems. Comcast urgently needs to augment its outreach and sign-up efforts by partnering sincerely and significantly with CBOs who are “trusted messengers” for the target populations. If this merger is approved, Comcast clearly will need a lot more assistance in California to reach more than 1,000 superintendents and school boards for nearly 10,000 public and private schools. It is the time-consuming grassroots work that succeeds in getting households to sign-up for CIE—the kind of community-aware and culturally-sensitive work that Comcast has failed to do in the past or support seriously with sufficient funding for CBOs. There is no indication that Comcast will be able to improve performance in the future without assistance from experienced CBOs, particularly when expanding into Southern California where they have no established community relationships.

Comcast recently announced an offer of free 6-months of service if households are signed up and accepted into the CIE program by September 20, 2014. Comcast also announced modified CIE rules allowing otherwise eligible households with outstanding bill balances more than a year old to sign-up (the status of outstanding balances needs to be clarified by Comcast as the term “amnesty” has been used in conjunction with this modification). While these kinds of program changes are welcomed in their substance, the timing appears more calculated to influence regulators than to facilitate subscriptions. Comcast service representatives have not been well trained to assist consumers. The September 20 deadline is arbitrary and unrealistic for

school districts with low-performing schools in low-income neighborhoods just trying to get students registered and back in the classroom. Some districts have decided that it is not wise for them to try to promote the offer within this timeframe without significant support from Comcast and trusted CBOs. If Comcast is sincere about these new rules resulting in a significant increase in CIE subscriptions, then the deadline must be extended to at least the end of 2014 coupled with a lot more training of their own service representatives and sufficient funding for CBOs.

It also is worth noting that Comcast has spent far more in political contributions to both federal and state elected officials than they have invested in trying to reach disadvantaged neighborhoods and low-income families. Although it is very difficult to compile precise information about political contributions to compare to relevant charitable donations disclosed on IRS Forms 990, available public records indicate that since 2011 Comcast has contributed more than \$531,000 to the California Congressional Delegation and more than \$800,000 to California State Legislators, Constitutional Officers and political parties. The charitable donations to non-profits for the purpose of assisting with CIE outreach and sign-ups—perhaps up to \$300,000—pale in comparison. The FCC and other federal regulators should request an accurate, documented disclosure by Comcast of investments in community partners to implement CIE in order to evaluate their commitment to reach an acceptable level of performance.

- Comcast CIE Advertising is Ineffective and Questionable in Motives

Comcast has not advertised the CIE program effectively during hours when most people are awake nor through channels and in languages that reach the target populations. Until recently, there also was no CIE advertising in mainstream media. Just this month (August 2014) Comcast has begun running both newsprint and broadcast (radio and TV) ads that appear to be more directed at lobbying policymakers and federal regulators than designed to reach the target

population to increase sign-ups: full-page newspaper ads list only a website (not the toll-free telephone number) which is useless to families who are not now online and don't have a computing device in the home; and broadcast ads simply tout Comcast and CIE without explaining who is eligible and how to sign-up. Comcast clearly is a company that knows how to advertise, so the past pattern and current media flurry bring into question the real motives.

CETF knows from first-hand experience that it is easy to generate interest and stimulate phone calls from prospective customers to call centers about affordable broadband offers when working in partnership with culturally-effective print and broadcast media. Given that Comcast has declined to date to work through effective media channels, we recommend that the FCC also direct action on this aspect of program design.

- Comcast Fails to Provide a Public List of Auto-Enrollment Schools

Since the inception of CIE, CETF and CBOs have requested from Comcast a list of schools that qualify for auto-enrollment -- defined as schools with at least 70% of the students on the NSLP program, thus making all students in that school eligible for CIE -- used by the Comcast CIE service representatives. According to the CIE rules, students attending auto-enrollment schools do not need an application and can be enrolled on the initial call to CIE.¹⁵ Comcast only recently responded to the requests for a list of schools; it was filled with errors and not the same list used by CIE customer representatives. Further, CIE customer representatives are not trained to know which schools are auto-enrollment eligible, which complicates and lengthens the enrollment process for eligible families. CETF and its partners also have asked for enrollment data by school and school district to monitor progress and to identify schools that are

¹⁵ It should be noted that additional steps are required if the family adult does not have a Social Security Number (SSN).

undersubscribed and could use the assistance of a CBO partner. Comcast has refused to provide this data.

Another problematic restriction is that Comcast only offers a wired modem to CIE customers, restricting the number of users at one time in that low income home. The provision of wireless modem would allow all the children in the household to be online at once doing their homework, plus adults. Further, the Comcast-provided wired modems often are not compatible with school-issued electronic learning devices. Many schools now allow students to bring home school-issued computing devices, such as a tablet (such as Apple iPad or Android tablet) or thin client laptop (such as a Chromebook). Often these tablets or laptops require a wireless modem to connect to the Internet rendering the CIE-provided wired modem useless. Comcast should update its modem offering to align CIE to the E-rate Modernization Order, which emphasizes Wi-Fi as the preferred solution for internal connections of learning devices.

The problems described above are only a sampling of the problems and hurdles with the manner in which Comcast has managed CIE in California. Contrary to a steady stream of upbeat reports from Comcast, the program has many shortcomings of which the FCC should be aware, but certainly are correctable with effective program design and implementation. CETF strongly recommends that the FCC require Comcast to resolve these problems and quickly put a higher priority on customer service assisting eligible families.

IV. FCC Should Mandate Goals, Metrics, Improvements, Independently-Managed State Funds, and National Oversight for the CIE Program

Should the FCC decide to approve this merger, CETF respectfully requests that the FCC seize this opportunity to order Comcast to make major improvements to CIE, and to be held accountable for delivering a functional, results-driven program with measurable goals. In short,

the FCC must authorize a more active oversight role in ensuring that Comcast is delivering an actual public benefit to low-income families. Comcast must be held to higher performance standards, which will require the company to increase CIE outreach with experienced CBOs, advertising and operational resources. To date, Comcast has made a lackluster effort. Given that the New York Mayor expressed similar concerns as CETF relating to the Comcast merger there,¹⁶ it challenges federal regulators to secure a tangible public benefit and behooves the FCC to ensure that there is substantive performance on CIE.

As one example, the advertising assets available to a media company like Comcast are vast. Together Comcast and NBCUniversal tout themselves as “the nation’s largest video advertiser.”¹⁷ NBCUniversal Cable Networks own 15 national cable networks, 15 regional sports and news networks, more than 60 international channels, plus digital media properties including Fandango and iVillage.¹⁸ Yet the ads for the Internet Essentials program are few and far between on these massive advertising assets, and rarely air in prime time slots. For example, Comcast recently placed a full-page advertisement in several San Francisco Bay Area newspapers about Internet Essentials, and has been running TV and radio advertising. The ads do not include the CIE information phone number and fail to mention the free 6-month offer it had announced the previous week. Instead the ads direct people to the Comcast corporate website, which, of course, people cannot access if they are not online.

¹⁶ Mayor Pat Quinn of the City of New York expresses similar concerns as CETF’s in assessing Comcast performance on its CIE program there. The Mayor calls for the New York Public Service Commission (NYPSC) to only grant merger if consistent with the public interest and if Comcast agrees to commitments in affordable access for low income and underserved residents, timely upgrading of infrastructure to fiber, expansion of affordable broadband infrastructure and services to unserved areas, among other things. Letter of Mayor Pat Quinn to Chair Zibelman, NYPSC, in Case 14-M-0193, filed Aug. 6, 2014.

¹⁷ Comcast website, Advertising, <http://corporate.comcast.com/news-information/company-overview#accordion-0>

¹⁸ Comcast website, under NBCUniversal Cable Networks, <http://corporate.comcast.com/news-information/company-overview#accordion-1>

Advertising is missing in newspapers, radio and social media popular with minority and ethnic communities. Partnerships with non-profits have been hit-and-miss depending on the service area. In California, Comcast gives the job of getting the word out to the estimated 313,000 eligible families to a 7-member government affairs team, making each member responsible for 45,000 families. Most of these representatives spend their time meeting with school districts officials and rarely engage in direct subscription efforts with families.

This FCC merger review process provides a critical opportunity for the FCC to hold Comcast fully accountable to not only merely extending, but also improving and expanding the program in a meaningful way. Among the highest priorities, the Commission should require Comcast to offer the Internet Essentials program to all low-income residents in its service areas, in addition to families with K-12 students in the NSLP, so that low-income seniors, veterans, and people with disabilities, among others, are eligible.

Further, the FCC should set specific subscriber goals (a percentage of eligible households), to hold Comcast to clear accountability measures with annual reporting and quarterly milestones, and encourage public inspection of the resources Comcast invests and its performance in reaching goals. CETF recommends 45% in the next two years as the national goal for CIE subscribership to reach of eligible families under the expanded eligibility rules proposed above, and to continue the program until 80% adoption (total subscriptions for all providers) is achieved in low-income neighborhoods in each Comcast service area.

A conservative analysis indicates that an estimated 1.3 million California households (about 3 million school children) would be eligible for CIE in the new combined service territory of approximately 3.7 million households if the Comcast-TWC-Charter merger is approved. CETF based this estimate of the number of children and households eligible to participate in CIE as

follows. CETF gathered data from the 2011-2012 Consolidated Application and Fall 2011 California Longitudinal Pupil Achievement Data System from the California Dept. of Education (CDE), released in April 2013. This source provides the number of students at California public and charter schools participating in free-or-reduced lunch program by school. CETF only counted students attending school in counties that are served by Comcast, TWC, and Charter. CETF calculated 3,023,796 students on the National School Lunch Program (NSLP) live in the combined Comcast-TWC-Charter territory. This represents 87% of all California students who are eligible for NSLP. Comcast has used 3.2 as the average household size to estimate the number of people served by CIE. With at least 1 adult per household, the conservative average of 2.2 was used for students per household. CETF estimates there would be at least 1,374,452 households in the expanded Comcast service area after consolidation (excluding eligible families attending private schools) that are eligible for CIE. If the estimated total of eligible households is rounded down to 1.3 million, the goal of 45% adoption as proposed above would equal 585,000 households. By Comcast accounting, 35,205 households in California have been signed up to date, leaving 549,795, or at least 500,000 households, to be signed up in California.

The FCC should require Comcast to capitalize an independently-managed fund within those states that are major Comcast markets and have adopted plan(s) to close the Digital Divide, such as California. The administrator of the fund should be selected by an appropriate State agency through an open competitive process limited to no more than 10% of CBO funding with CBOs provided grants pursuant to performance. Given the problems with CIE and current costs for experienced CBOs to complete a sustainable broadband adoption, a fund of \$298 million for California could be justified to sign up the 500,000 households to achieve the proposed 45%

subscription goal explained above.¹⁹ If Comcast resolves the problems with the sign-up process and effectively advertises, the size of the fund could be reduced to about \$150 million. It should be well understood that the capitalization of independent funds in qualifying states would be an investment for Comcast as well as a tangible public benefit to close the Digital Divide across the nation. For example, at \$10 per month per CIE subscriber, the payback period for a California fund of \$298 million would be 5 years and for a fund of \$150 million would be two years.

For Comcast service areas within states that do not meet the above criteria, the FCC should require capitalization of a nationwide fund administered by an appropriate non-profit organization such as EveryoneOn.

The FCC should establish a national advisory oversight committee for CIE to provide feedback and input to the FCC in monitoring performance and progress. The oversight committee should include senior executives from Comcast, regulators, state officials, experienced non-profit organizations with a track record of accomplishment in closing the Digital Divide, and consumer representatives. Additional members may include experts knowledgeable about Digital Literacy, effective use of technology in education, integration of information and communications technology (ICT) skills in workforce preparation, and telehealth-telemedicine. The national advisory oversight committee should request regular reports on progress from the independently-capitalized and administered state funds.

¹⁹ Experienced CBOs report an average cost of \$480 per sustainable adoption which would require \$240 million to sign up 500,000 households + 10% (\$24 million) for administration and coordination + 10% (\$24 million) for independent consumer monitoring for a total of \$298 million. At \$10 per month per customer, Comcast would be paid back fully in about 5 years for this investment in a public benefit. If Comcast resolves the CIE sign-up problems and develops an effective advertising program, CETF estimates that a sustainable adoption could be achieved for about \$250 per household, which would require \$125 million for CBOs + 10% (\$12.5 million) for administration and coordination + 10% (\$12.5 million) for independent monitoring. This means that with sincere collaboration from Comcast, an independent fund for California could be as little as \$150 million and the payback period for Comcast would be about two years for the investment in a public benefit to close the Digital Divide.

CETF notes that the CPUC also will be exploring these issues in its Comcast–TWC merger docket, Application No. (A.) 14-14-013. According to its Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge, the CPUC review will consider: “How would the Merger benefit California consumers? For example, will the merger benefit low-income outreach and adoption of broadband services that are accessible, affordable, and equitable in a manner that is enforceable and will help close the Digital Divide? Will the merger help educate consumers on using computers and the Internet when service is provided? Will the merged entity offer standalone Internet access and make sure consumers are aware of this offer?”²⁰ CETF recommends the FCC accept data from the CPUC’s merger docket on this point.

Finally, the Commission should require Comcast to offer stand-alone broadband service through CIE at a reasonable rate that is not bundled with video, VOIP, security or other services. CETF also recommends the FCC not allow Comcast to disconnect service to CIE if a customer has overdue bills for other services to which it subsequently subscribed. While CIE has been offered as a standalone service thus far, CETF recommends that the FCC explicitly ensure that the CIE program continues to offer unbundled affordable broadband service to all low-income groups, as proposed above.

CETF further notes that the recommendations made regarding requirements and accountability for this Comcast-TWC-Charter corporate consolidation should be equally and fairly applied to all other mergers and acquisitions coming before the FCC and other federal

²⁰ Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, in re Joint Application of Comcast Corp., Time Warner Cable Inc., Time Warner Cable Information Services (California), LLC and Bright House Networks Information Services (California), LLC for Expedited Approval for the Transfer of Control of Time Warner Cable Information Services (California), LLC (U6874C); and the Pro Forma Transfer of Control of Bright House Networks Information Services (California), LLC (U6955C) , to Comcast Corp. Pursuant to California Public Utilities Code Section 854(a), in A. 14-04-013 (filed Apr. 11, 2014), at 13 (“CPUC Scoping Memo”).

regulators. There must be tangible public benefits from these mergers that contribute significantly and measurably to closing the Digital Divide in the United States.

V. Comcast Should Make Commitments to High-Speed Broadband Deployment to Unserved and Underserved Areas

CETF recommends that as part of its acquisition commitments, Comcast agree to build at least ten new high-speed broadband facilities in high-priority unserved or underserved areas in California adjacent to or near its new service territory that meet the minimum speed thresholds set by the CPUC within firm 3-year deadlines that will be monitored by the national oversight committee and the FCC Enforcement Division. This would meet the Section 706 of the Telecommunications Act of 1996²¹ objectives of encouraging “the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans (including, in particular elementary and secondary schools and classrooms) by utilizing, in a manner consistent with the public interest, convenience, and necessity, price cap regulation, regulatory forbearance, measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure investment.” The FCC should also order Comcast to explore how its facilities can support back haul and other services relating to FirstNet, the nation’s public safety network.

In Appendix 4 of Resolution T-17443²² the CPUC in partnership with 13 regional broadband consortia has designated unserved and underserved areas that are priority areas for new broadband builds in the state. At present, Comcast is allowed to decide whether to build out broadband in a particular part of its service area, and its choices have left many suburban and

²¹ Section 706(a) of the Telecommunications Act of 1996, Pub. L. No. 104-104, §706, 110 Stat. 56, (1996), as amended by the Broadband Data Improvement Act, Pub. L. No. 110-122, Stat. 4096 (2008), is now codified in Title 47, Chapter 12 of the USC, at 47 U.S.C. §1302.

²² See CPUC Resolution T-17443, at Appendix 4, “Broadband Infrastructure Priority Areas”.

rural areas without access to adequate broadband bandwidth, if any at all. This severely hampers the ability of anchor institutions (including schools, libraries, and public safety agencies) and businesses to serve residents and customers outside the region.

In its Scoping Memo, the CPUC suggests it will explore this issue: “What are the implications of the Merger for broadband deployment in California including, in particular, deployment of broadband to elementary and secondary schools and classrooms and to unserved and underserved areas of the State? This also includes public safety, government agencies, and health care providers. Further the CPUC will explore, “Would the Merger maintain or improve the quality of service to California consumers?”²³ Again, specific goals should be set with corresponding accountability by the Commission.

VI. Conclusion

The proposed Comcast merger has far-reaching implications for the nation and significant risk to California by threatening to leave behind at an accelerating pace 25% of the population who are on the other side of the Digital Divide. These people living in low-income neighborhoods with low-performing schools facing a wall of poverty they cannot escape without purposeful intervention and focused attention by policymakers. This merger will result in 87% of all students on the National School Lunch Program, which is a proxy for concentrated and persistent poverty, residing in the new Comcast service territory. The past performance of Comcast on their affordable broadband program—Comcast Internet Essentials (CIE)—is so lackluster as to cause well-founded skepticism about future performance if regulators do not hold them accountable for achieving acceptable broadband adoption rates. Thus, the FCC should take action to produce a public benefit by requiring modifications to CIE and the commitment of

²³ CPUC Scoping Memo, *supra*, at 13.

resources from Comcast to ensure significant broadband adoption by low-income households which comprise one quarter of all residents in the county. The nation's ability to compete globally with a highly-productive economy depends on empowering low-income families to become connected and enabling their children to get a good education so that there is a significant increase in self-sufficient tax-paying households. CETF and 20 other community and civic leadership organizations have filed comments with five recommendations to the FCC to improve CIE. The justification and explanation for those five recommendations to improve CIE and hold Comcast accountable to increase broadband adoption among disadvantaged populations are discussed above and can be summarized as:

1. Include All Low-Income Households;
2. Set Performance Goals;
3. Capitalize an Independent Fund(s) and Coordinate with States;
4. Establish a National Advisory Oversight Committee; and
5. Require Comcast to Offer Stand-Alone Internet Service.

CETF stands ready to partner with Comcast and the FCC to make this public benefit a reality in California so we can close the Digital Divide across the nation and ensure America is globally competitive for generations to come.

Respectfully submitted,

Sunne Wright McPeak
President and CEO
California Emerging Technology Fund

ATTACHMENT A

LETTERS FROM CALIFORNIA CBOs
REGARDING COMCAST INTERNET ESSENTIALS PROGRAM

ATTACHMENT B

ADOPTED POSITION BY CETF ON
COMAST ACQUISITION OF TIME WARNER CABLE

ATTACHMENT C

CETF ANALYSIS OF PROPOSED COMCAST SERVICE AREA
IN CALIFORNIA