$32.5 Million From "New Charter" For Digital Inclusion In California: A National Model?

April 21, 2016 / Bill Callahan

As the FCC nears a decision on the proposed merger between Charter Communications, Time Warner Cable and Bright House Networks, digital inclusion advocates in California have negotiated a $32.5 million deal with "New Charter" that could support broadband adoption by hundreds of thousands of low income families in the state.

Now the big question is: Will the FCC make the California agreement a model for communities affected by the merger throughout the U.S.?

Under California law, the transfer of cable franchises required for the proposed merger must also be approved by the California Public Utilities Commission (CPUC). The California Emerging Technology Fund (CETF) has led a statewide coalition calling on the CPUC (as well as the FCC) to withhold that approval unless the merged company, calling itself New Charter, agrees to a number of conditions to help overcome the digital exclusion of millions of residents in Los Angeles, San Diego, San Bernardino, Riverside and other affected urban and rural communities.

Ever since the "New Charter" companies first told regulators they intended to merge last Summer, they've been promising a new affordable rate plan for some low income customers. Specifics of that plan were finally provided to the FCC in December. The proposed New Charter plan -- essentially, 30 mbps Internet service with no data caps for $14.99 a month -- would be available to families with children eligible for the Federal school lunch program, as well as customers 65 years of age or more who receive Supplemental Security Income, i.e. very low-income seniors. The offer includes no specific funding for marketing, and no investment of any kind in digital literacy training or support for the families and seniors who are its intended customers.

CETF and other digital inclusion advocates have been arguing for months that the New Charter plan should be open to many more low-income households, come with meaningful performance benchmarks (i.e. millions of new adopters), and be accompanied by a large financial commitment to support community-based outreach and training. Until recently, New Charter rejected all such proposals.

But two weeks ago, after months of public controversy and with a CPUC administrative law judge about to make his recommendations to the full CPUC, New Charter quietly reached an agreement to gain CETF's support. The deal became public last week as part of the judge's recommendations.

The Charter-CETF agreement doesn't affect New Charter's low income rate plan, which will still apply only to School Lunch families and very low-income seniors. But it includes major concessions on the issues of benchmarks and funding for community outreach and training. Here's how CETF summarizes those provisions:

> *Within 5 years, New Charter agrees to make a good faith effort to enroll 350,000 broadband low-income customers in its California service area. Outreach to target low-income communities will be by community-based organizations, schools, libraries and other non-profit organizations. An outreach plan will be developed by June 30, 2017.*
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> *New Charter and CETF will collaborate on communication, marketing, and outreach efforts to low-income communities about the availability of affordable broadband service, including in language and in culture using ethnic media that serve the target communities. New Charter may also provide its local programming resources for this effort.*
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> *New Charter will provide CETF $6.5 million annually over 5 years, for a total commitment of $32.5 million, to invest in community partnerships with nonprofit organizations, including schools and libraries, that can serve as "trusted messengers" for encouraging low-income customers to subscribe to high-speed Internet service at home in the New Charter service areas.*

CETF will work with organizations that serve people with disabilities to ensure equitable outreach to this population and opportunity for broadband adoption.

Other provisions guarantee deployment of New Charter broadband as well as wifi to some currently unserved communities, and free service for some community anchor institutions. (See CETF's full summary of the agreement at http://www.cetfund.org/investments/Public_Benefit_Partnerships/Charter_MOU_Summary .)

This is potentially a very big deal, not just for southern Californians but for the whole country. There have been similar state-level regulatory agreements in the past between community advocates and major Internet carriers (notably in California, which is how CETF got its start). In this case, however, the proposed merger affects tens of millions of households in states other than California, and the terms of its approval by the FCC are apparently still being finalized.

The FCC has routinely attached low-income rate concessions to big ISP merger settlements in recent years -- Comcast/NBC, Century Link, AT&T/DirectTV. But none of these settlements required the merged companies to reach specific adoption goals or commit to specific large-scale marketing expenditures -- let alone make significant investments in community digital inclusion efforts.

But that's exactly what New Charter has just agreed to do in California. And it's exactly what some local NDIA affiliates have spent the past nine months asking the FCC to require New Charter to do on a merger-wide basis... in New York, Ohio, Wisconsin, Texas, Missouri, Kentucky, North Carolina, Florida, and Alabama among other places. Many proposed New Charter communities outside California -- e.g. Cleveland, Dayton, Kansas City, St. Louis, Buffalo, Rochester -- are among the nation's worst-connected.

Can the FCC ignore New Charter's $32.5 million commitment to digital inclusion in just one state? Or will this deal lead the Federal regulators to put community digital inclusion investment on their negotiating agenda on behalf of all the underserved communities served by Charter, Time Warner and Bright House?

We'll know soon. Stay tuned.

Meanwhile -- nice work, California!