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# FOR POTUS DIGITAL DIVIDE TRIP MEETING

March 27, 2000

## MEMORANDUM TO GENE SPERLING

**FROM: TOM KALIL  
GIGI GEORGES  
NATASHA BILIMORIA**

**SUBJECT: UPDATE ON DIGITAL DIVIDE TRIP SITES FOR MEETING WITH THE PRESIDENT**

This memo will provide you with an update of some of the possible issues that may come up tomorrow with the meeting with the President. We are assuming that there are no major issues of concern with East Palo Alto, CA and a Native American reservation in New Mexico.

### Detroit vs. Boston

- As you know, we have learned of some difficulties with traveling to Detroit on the April New Markets trip. There is controversy around the Empowerment Zone in Detroit stemming from claims by a number of people, including the Empowerment Zone board's former chairwoman, that the EZ has wasted and possibly misspent funds. Earlier this year, Mayor Archer asked an independent auditing firm to review the Zone's operations and finances and determine whether it is meeting its contractual obligations.
- You should also be aware that we have not been able to identify large corporations that are interested in participating in a Detroit event.
- As an alternative, we propose that Boston be considered. There is a strong case for going to Boston as part of the trip because it represents a prime example of a city that has taken a comprehensive approach to closing the digital divide. Mayor Menino has worked with the community to wire schools, establish an e-commerce entrepreneurial program, and provide home access to low-income families. He has also been working to create a "Boston Digital Bridge Foundation" that would provide support for a number of these initiatives.
- We are currently exploring options in Boston should this site be chosen and have found that there is great potential for a strong event. There are a number of corporations along Route 128 that are interested in being a part of the trip. The city's obvious commitment to providing digital opportunity coupled with this strong corporate interest would make for a good location to highlight our comprehensive approach.

### Additional Background on North Carolina

- We have begun to explore possibilities for an eastern North Carolina event. As you know the proposed theme of the North Carolina stop is bringing high-speed Internet access to rural communities as a way enhancing employment, business and education opportunities. You should know that Qualcomm has committed to provide wireless broadband to people in rural areas who don't have access to DSL or cable modems.

- A stop in eastern North Carolina would provide a good backdrop given that there are a number of rural isolated communities with tremendous hardship that are only miles away from the successful research triangle in Raleigh. In particular, we recommend a visit to a small business or library in a rural community in Wake, Durham, Orange, Person, Johnson or Chatham counties.



March 25, 2000

MEMORANDUM TO GENE SPERLING

FROM: GIGI GEORGES  
NATASHA BILIMORIA

SUBJECT: DIGITAL DIVIDE EVENT VENUE PROPOSALS

The following memo lays out some options for event venues and programs for the first day of the trip. The agencies and White House offices have provided us with a number of venue options that we have reviewed and narrowed down to the following possibilities. As we continue to develop concepts and options for the second day, we will provide you with a similar memo with that information.

EAST PALO ALTO, CA

**Message: Importance of Motivation**

- The focus would be motivating both youth and adults to "Get Connected" by stressing the economic and entrepreneurial opportunities in the high-tech World.
- Incorporated into the message would be major commitments, including our cornerstone announcement of a PSA campaign.

**Event Venue—Option 1**

**Plugged-In, Community Technology Center in East Palo Alto, CA**

- **Sub-Theme for Option 1: Highlighting** the components of Goal 2 in our National Call to Action by announcing key private and public sector commitments that help address the four components of this goal.
- **Venue Description: Established** in 1992, Plugged-In has 35 computers, serves more than 500 community members each week and operates three programs: Plugged In Enterprises, Plugged In Greenhouse, and the Technology Access Center. Major corporate sponsors include Cisco Systems, Intel, David and Lucile Packard Foundation, Hewlett-Packard, Apple Computers, Sun Microsystems, and Pacific Bell. **Note:** Larry Irving is on the Advisory Council.
  - ✓ **Plugged In Enterprises** trains teenagers in web design technology. Youth use their skills to operate a web design business that creates web pages for community members and paying commercial clients. Clients include Pacific Bell, OICW, and Sun Microsystems.
  - ✓ **Plugged in Greenhouse** is a creative arts and technology studio for youth. It houses a number of activities including an after-school program, classroom partnerships, and special projects based on educational themes.
  - ✓ **The Technology Access Center** is the community production studio, copy center, cyber-library, self-paced learning studio, and telecom center for East Palo Alto. It provides community members with access to computers, the Internet and information that helps them "get things done."



- **Pros of Option 1**

- ✓ Plugged-In has become a model for making sure that underserved income communities participate in digital opportunity.
- ✓ Its strong focus on young people makes it a good venue to highlight our motivation theme.

- **Cons of Option 1**

- ✓ While this facility is clearly large enough for the CEO roundtable, we need to verify that there is a large enough space for the speaking program.

## Event Venue—Option 2

### **Flood Science and Technology Magnet School in East Palo Alto.**

- **Sub-theme for Option 2:** Highlighting the first goal of our National Call to Action by announcing key private and public sector commitments that help address the four components of this goal.
- **Venue Description:** Flood is a K-8 school with over 300 students, 81 percent of whom, receive free and reduced price lunches. While this school is 85 percent Hispanic, if we used this site we would invite students from surrounding schools that have greater racial diversity.
- The school has focused on developing a technology strategy for its students, but still has significant room for improvement. Current capabilities include:
  - ✓ An Oracle Lab with 31 networked computers. They are also nearing completion on a 2nd lab with another 31 networked computers.
  - ✓ Three computers per classroom, with the E-RATE working to get those connected to the Internet.
  - ✓ A collaboration with the Stanley Kaplan SCORE program to help students achieve in math and reading. Recent assessment data on those students that shows improvements. They have 28 students in the program currently but will be going school-wide.
  - ✓ The computer lab is also open every 1st and 3rd Saturday a month for parent training.
- **Pros of Option 2**
  - ✓ As we discussed, having a school-based in East Palo Alto fits well with our motivation message targeted to young people.
- **Cons of Option 2**
  - ✓ This school does not provide the diversity we are seeking for this event.
- **Additional Comment:** If we decide that Plugged-In is a preferable option and we still feel it is necessary to have a school based event on this trip, we could consider Boston as an alternative to East Palo Alto.

## **Program**

- **CEO Roundtable:** We could begin the event with a CEO Roundtable where the participants would have the opportunity to discuss with the President their efforts to bridge the digital divide. This is the optimal way to ensure that CEOs have an opportunity to talk with the President. This event would be closed press. We suggest the following CEO participation:
  - ✓ 3Com – Eric Benhamou
  - ✓ Yahoo – Jerry Yang
  - ✓ AT&T – Michael Armstrong
  - ✓ AOL -- Steven Case
  - ✓ Cisco Systems – John Chambers
  - ✓ eBay – Pierre Omidyar
  - ✓ Kaiser Family Foundation
  - ✓ TechNet - Roberta Katz
  - ✓ Intel - Craig Barrett
  - ✓ John Doerr
  - ✓ GovWorks—Kaleil Tuzzman
  - ✓ Cne Net Now—Carlton Jenkins/Yusef Jackson [**Note:** Jenkins is the CEO, but Yusef is Jesse's son].
- This list is largely based on corporate commitments.
- **Speaking Program:** The President would then move to a larger venue (within the same site) and give opening remarks that would frame the importance of motivating both youth and adults to use technology. The audience would include youth and adults from the community.
- The President would be joined on stage in an informal setting by 2-3 celebrities (i.e. Magic Johnson, Rebecca Lobo, Will Smith), a local minority entrepreneur and a young person who has either acquired a job in the high-tech field or has done something creative based on his/her newly learned technology skills. This would also allow the participants on stage tell their stories about how technology made a difference in their lives.
- This event will provide an opportunity for the President and the other participants to speak about the many doors that can be opened through technology.
- Young people who are hooked up to the event from schools in other parts of the country via the Internet could ask questions and interact with the President and the other participants. AOL has offered to provide the technology for this event.

## **NATIVE AMERICAN RESERVATION IN NEW MEXICO**

### **Message: Bringing Digital Opportunity to Indian Country**

- We would highlight that access and technology skills and training can be powerful vehicles for economic development and help bring employment opportunities to Native Americans.

### **Event Venues--Option 1**

**CrownPoint Institute of Technology, Crownpoint, NM (Navajo Nation).**



- **Venue Description:** This is a tribal college that houses the Business and Computer Technology Program Classrooms and Lab. This state-of-the-art classroom and laboratory is a showcase for Crownpoint Institute of Technology's vocational technology program, which includes their "Distance Learning Technology Program." While this is not a new program, it has recently been moved to a new building. Programs include:
  - ✓ A partnership between CIT, Phone Solutions and Compute Cabling Connection Network System Integrater which allows students to learn how to cable the entire Navajo reservation to improve the telecommunications system across the Navajo Nation.
  - ✓ A partnership between CIT and Albuquerque High Performance Computing Center Develop to develop e-commerce skills and knowledge in these classrooms.
- **Pros of Option 1**
  - ✓ This site has a number of success stories that could be highlighted, including graduates of the program who are now employed at Xerox and Lucent.
  - ✓ From what we understand, this site relatively easy to travel to. The town is 75 miles from Gallup Airport and there is a small landing strip 5 miles west of the college.
- **Cons of Option 1**
  - ✓ Unfortunately, there is no large meeting facility at the tribal college. However, Crownpoint High School gymnasium, located nearby, can accommodate 200-300 people and is the only large meeting facility in the area.

## Event Venues -- Option 2

### **Diné College "Just in Time Learning" and Technology Access Centers Project (Navajo Nation)**

- **Venue Description:** Diné College has an Information and Engineering Technology Program that includes a 12-14-workstation laboratory. The lab can accommodate a connection to the Albuquerque High Performance Super Computing Center and to Diné College's other grid site at its Shiprock, New Mexico campus.
- The Navajo Nation, though a partnership that includes Diné College, recently won a Youth Opportunity grant from DOL. With leadership from Diné College, the tribe will use the \$10.1 million/year grant to build and operate eight "technology access centers" – wherever the college has a site – that will weave a "high tech" blanket across the vast Navajo Nation.
- **Pros of Option 2**
  - ✓ As it has received a Youth Opportunity grant, this site would provide a tie into the overall New Markets theme.
- **Cons of Option 2**
  - ✓ The lab opened in November 1999, so no students have transitioned from the lab into jobs yet (no success stories).
  - ✓ We understand that this site is more difficult to travel to than the Crownpoint option.



- ✓ While there is a PowerUP site nearby, the PowerUP representatives have said that they would prefer to be at the East Palo Alto event.

- **Additional Comment:** Dine College is Lynn Cutler's preferred option.

#### **Program**

- The President could tour either facility and give remarks to a community audience. If we go to Crownpoint, one of its success stories could tell his/her story. The program could also include the CEOs who have made major commitments to Indian country. These would include:
  - ✓ Gateway -- Ted Waitt
  - ✓ Compaq -- Michael Capellas
  - ✓ TechCorps -- Karen Smith (executive director)
- We would also invite Senators Bingaman and Domenici and should consider speaking roles for both.

March 18, 2000

**MEMORANDUM FOR THE PRESIDENT**

**FROM: GENE SPERLING  
MARIA ECHAVESTE  
STEPHANIE STREETT**

**SUBJECT: APRIL PRESIDENTIAL NEW MARKETS TRIP TO BRIDGE THE  
DIGITAL DIVIDE**

**BACKGROUND**

As you know, you will travel the week of April 9th across the United States to continue to bring attention to the need to bring digital opportunity to youth, families and communities. We hope that this trip will generate momentum, excitement and concrete commitments, as well as provide a national framework for government, private sector and non-profit actions to close the digital divide and create digital opportunity. Similar to the first two New Markets trip in July and November, you will be joined by a congressional delegation, community leaders, and corporate executives where you will make announcements about new private sector investments and initiatives as well as partnerships between the corporate, non-profit and government sectors to bridge the digital divide.

**PROPOSED ITINERARY FOR APRIL TRIP**

Monday, April 10: East Palo Alto, CA **and**  
A Native American reservation in New Mexico

Tuesday, April 11: Detroit, MI **and**  
A rural community in North Carolina

We would also develop creative ways to use the Internet and other technology to involve multiple sites around the country.

At the last event in North Carolina, we propose that you announce a future event/trip that would focus on bringing digital opportunity to Americans with disabilities.

**KEY DIGITAL DIVIDE ACTIONS**

Although this memo focuses specifically on the April Digital Divide trip, we have provided you with an outline of key digital divide actions we recommend for the upcoming months.



#### **April 4th: Call to Action Event and Kick-off for April Trip**

- We have circulated a “Call to Action” to major corporations, non-profits, and individuals to sign to show their support for our two national goals to provide digital opportunity to all Americans. These goals are:
  - Bringing 21st Century learning tools to every child in every school
  - Bringing digital opportunity to every family and community
- On April 4th, you will host an event at the White House to announce your “Call to Action” and demonstrate the widespread support for your two national goals. This event will provide you with the opportunity to recognize the hundreds of corporations, non-profits, civil rights groups, unions and other community organizations that have signed on to the National Call as well as the need to build partnerships to provide comprehensive solutions to the digital divide.
- This event is also an opportunity for you to preview the trip and talk about the on-going Administration and private sector efforts to create digital opportunity for children, adults and communities all over the country.

#### **April 10-11: Digital Divide Trip**

- This trip will provide the opportunity for you to highlight meaningful, lasting efforts that can be sustained. See below for more detailed information.

#### **Follow-Up Report**

- After the trip, in order to continue with our commitment to create digital opportunity for all Americans, we propose that a follow-up report be issued in the summer that would describe new and existing commitments to close the digital divide. This could help disseminate best practices and highlight commitments that were not featured in the trip.

#### **Connected Communities Day**

- We are also proposing a "Connected Communities" day in the late fall to maintain momentum and generate grassroots activity, building on the highly successful NetDay model. Since we could not organize this ourselves, we would work to ensure that there was sufficient outside support before launching this.

### **PROPOSED PLAN FOR APRIL DIGITAL DIVIDE TRIP**

#### **DAY ONE**

##### **Site 1: East Palo Alto, California**

East Palo Alto is a low-income urban community in the heart of the Silicon Valley. Over 80 percent of the students in local K-8 schools are eligible for free or reduced priced lunches. The latest data available indicates that 21 percent of East Palo Alto residents had incomes below the federally designated poverty level. Despite its geographic proximity to Silicon Valley, the center of the high-tech world, East Palo Alto residents are struggling. Much of the community lacks the skills necessary to succeed technology-based skills. Going to East Palo Alto would demonstrate that even in the shadow of Silicon Valley, there is still a substantial divide.

### **Message: Importance of Motivation**

- At every briefing where we have discussed the Digital Divide, the issue of motivation has consistently come up, particularly with underserved communities. While the price of computers is continuing to decline, and some companies are beginning to offer free Internet access, not enough has been done to demonstrate why gaining access to technology is so important.
- You could use this first event of the trip to highlight this issue and bring together a number of major CEOs, celebrities, minority entrepreneurs as well as low-income youth who have obtained high-tech jobs.
- This would help motivate underserved communities (especially youth) to “get connected” and become technologically literate by stressing the economic opportunities in the high tech world.

### **Potential Site Visits and Events**

- You could visit a high school to highlight the need for information and technological literacy for young people and adults.
- You could begin the event with a roundtable with major CEOs where you could highlight corporate commitments and discuss the importance of technology and the opportunities available for both youth and adults in schools and communities.
- You could then move to the school auditorium, where you could give opening remarks that would frame the importance of motivating both youth and adults to use technology.
  - ✓ You would be joined on stage in an informal setting by two celebrities (i.e. Magic Johnson), a minority entrepreneur and a young adult who has acquired a job in the high-tech field.
  - ✓ This event will provide an opportunity for you and the other participants to speak about the many doors that can be opened through technology.
  - ✓ This would also allow the participants on stage tell their stories about how technology made a difference in their lives. Young people who are hooked up to the event via the Internet from schools in other parts of the country could ask questions and interact with you and the other participants.

### **Key Commitments for East Palo Alto Event**

#### Public Service Announcements

- You could announce the kick-off of a major Public Service Announcement campaign with celebrities and sports stars to motivate young people and adults to use computers and explore the Internet. This could include a "no fear, no shame" campaign for those adults who may be reluctant to admit that they don't know how to use technology.



### AT&T

- You could announce a \$1.2 million grant over four years from AT&T to create an Academy of Information Technology, a high-school curriculum to prepare students for the IT industry. The academy would be in Oakland, California.

### Americorps / PowerUP

- You could announce the commitment by Americorps to significantly increase the number of volunteers as PowerUP scales up the number of national sites. PowerUP is a major initiative by AOL, Gateway, and other companies to expand access to technology for under-served youth in community centers and schools.

### Yahoo!

- Yahoo! has agreed to commit \$1 million in Internet banner PSAs to recruit technology workers to join Americorps and other volunteer organizations to serve as technology workers. Yahoo! has also committed \$1.5 million to create "Camp Yahoo!", a training program for non-profits, CTCs and other community groups (including the Boys and Girls Clubs of America and PowerUP) around the country.

### 3Com

- You could also announce 3Com's new "Connected Entrepreneur Awards Program", a quarterly award program highlighting successful small businesses that use networking technology to offer innovative products and/or services to their communities.
  - ✓ The Program which is a partnership between 3Com and the YWCA of the U.S.A., encourages small businesses to institute mentoring programs that educate youth, particularly young girls and women, to the benefits of high technology in the workplace and to create an overall positive learning experience.
  - ✓ 3Com will reward these "economic heroes" by providing their small businesses with the technology tools that enable them to continue to succeed. In return, the honorees commit to mentor young girls and others who come to the YWCA for assistance.
  - ✓ 3Com will also announce the creation of the YWCA TechGYRLS, a program to raise girls' interest, confidence and competence in the area of technology. They also plan to announce their first round of awards throughout the country.
- You could also announce another 3Com/YWCA program called NetPrepGYRLS that will offer high-school aged girls training in computer networking that could lead to industry-standard certification. 3Com and YWCA expect 600 girls will be trained at 30 NetPrepGYRLS programs around the country.

### Intel and Tech Corps

- You could announce a partnership between TechCorps and Intel that would provide free software for students to develop living history websites to create a virtual community of living histories on the web.



### Qualcomm

- The company has also committed to assist in the deployment of educational technology in San Diego area schools, and other institutions, including high speed Internet access, deployment of PCs, support of technology-focused curricula, and related teacher training and technical support.

### Department of Education

- You could announce that a number of deans of colleges of education have agreed to work with us to ensure that all new teachers are prepared to use technology effectively in the classroom. Currently, most schools of education do not adequately prepare new teachers to integrate technology into the curriculum.
- You could announce the Department of Education's Technology Innovation Challenge Grants (3 grants totaling \$6 million) and Star School awards. (4 grants totaling \$5.5 million)

### **Site 2: Native American Reservation in New Mexico**

As you know, Native American communities face major economic and social challenges. A stop in Indian Country will allow you to highlight these difficulties and focus on how private and public sector investments can help bring digital opportunity to Native Americans.

#### **Message: Bringing Digital Opportunity to Indian Country**

- You could use this event to focus on access to technology as a vehicle for economic development to help bring employment opportunities to Native Americans by, for example, enabling more small Native American businesses to sell goods on-line.

#### **Potential Site Visits and Events**

- You could visit a tribal college and highlight the programs that the school has developed to promote economic development through technology and help provide training and job skills to its students.

#### **Key Commitments for Indian Country**

##### America On-Line (AOL)

- You could announce \$1 million in the AOL Foundation's Digital Divide Grants, one of which will be in Indian country.

##### Compaq Computers and TechCorps

- You could announce a national expansion of "Techs4schools" a new online mentoring initiative that connects IT professionals with remote and underserved schools to give them access to much-needed technical support and advice.
- Compaq, in partnership with Tech Corps, currently has 12 pilot sites (one on an Indian reservation in New Mexico) and has decided to fully fund the program so that it will be available to all schools nationwide in April. You could also encourage Federal government IT workers to volunteer their expertise to be on-line technology mentors.

#### Federal Communications Commission (FCC)

- You could announce the FCC's proposal to increase funding under the Lifeline program so that every member of a federally recognized Indian tribe who is income eligible can have basic phone service for a very low monthly fee. We still need to run a policy process on this idea.

#### HUD's Native American Economic Access Center

- You could announce the new toll free number and website for the Native American Economic Development Access Center, through HUD's Office of Native American programs (ONAP). The Access Center will, for the first time, link over twelve agencies through a single toll-free number and web-site so that entrepreneurs--Native Americans, lending institutions, non-profits, foundations, and private businesses--can collaborate to achieve sustainable economic development in Indian Country.

#### Partnership between University of Michigan and the W.K. Kellogg Foundation

- You could announce a partnership between the University of Michigan and the W.K. Kellogg Foundation to work with a group of Tribal Colleges to create a "virtual Tribal College library." A major database structure will be located at Bay Mills Community College, in the Upper Peninsula of Michigan which is working with other Tribal colleges and universities (TCU) to develop a virtual identity for each Tribal College. The virtual library will span challenging geographic boundaries and bring near limitless access to learning to TCU students and faculty.

#### Partnership between Crownpoint Institute of Technology (CIT), Phone Solutions and Computer Cabling Connection Network System Integrator

- You could announce the partnership between CIT and two private firms, Phone Solutions and Computer Cabling Connection Network System Integrator, to improve the telecommunications system across the Navajo Nation, an area the size of West Virginia. CIT initially will develop a call center in Crownpoint, New Mexico, before expanding to a high technological telecommunications system and offering high-tech telecommunications services throughout the Navajo Nation. The call center portion of the project is being conducted and will be managed by a corporation known as UCMS.

We are currently working on the following additional commitments that you could also announce at this stop:

- Commitments from e-commerce companies that could work with Native American entrepreneurs and help them create websites and e-businesses.
- Commitments from the private sector to upgrade equipment and training (i.e. e-commerce training) to SBA's Tribal Business Information Centers (TBICs).



## DAY TWO

### Site 3: Detroit, Michigan

As you are aware, in the last few months Ford Motor Company took the lead in providing Home Access by providing computers and low-cost Internet to its employees. Detroit provides a good urban setting to highlight areas that are in need of access to technology and to demonstrate the way the people's everyday lives can be enhanced by it.

#### **Message: Importance of Home Access, Community Technology Centers (CTC) and Neighborhood Networks**

- You could use this first event to emphasize the need for access to technology and the skills to use it. While universal home access is our goal, it is essential that those without it do not get left behind. Community Technology Centers and the Neighborhood Networks program help provide access to computers and the Internet to people in many communities who would not otherwise be using technology.

#### **Potential Site Visits and Events**

- You could take a tour of a Neighborhood Network site or a CTC and highlight the importance of access to technology for adults, both by using Computer Technology Centers for job searches, training and the development of microenterprise as well as through employee commitments to provide home access to their employees.

#### **Key Commitments for Detroit Event**

##### Home Access

- We are currently working with a major PC company to see if there are other large employers, both in the manufacturing and service industries, that would be willing to match the commitments made earlier this year by the Ford Motor Company and Delta Airlines. By focusing on the service industry, we would be able to show the benefits of such an effort to lower income workers. We could announce this commitment and highlight the efforts of Ford and Delta. Ford is a good example of a company making the transition from the industrial age to a technology-based "e-business."

##### SBC Communications

- We are also talking to SBC Communications about providing high-speed Internet access to CTCs and Neighborhood Networks.

##### Department of Housing and Urban Development

- You could announce the doubling of HUD's Neighborhood Networks centers from 500 to 1000 over the next two years. As you know, the Neighborhood Networks program is a community-based initiative that encourages the development of resource and computer learning centers in HUD-assisted and/or-insured housing.

- You could also announce a new public-private partnership between HUD, Communities in Schools (CIS) and Cisco Systems to bring IT job opportunities to 10 underserved communities (including a location in Indian country), including a possible site in Detroit. Cisco Systems will commit \$1 million to work with HUD and CIS to expand its Networking Academy program to serve youth and their families in public housing, Neighborhood Network sites, Indian country, Empowerment Zones and Enterprise Communities.

#### Department of Education's Community Technology Center Grants

- You could announce the Department of Education's grants for Community Technology Centers totaling \$32.5 million.

### **Site 4: Rural Community in North Carolina**

North Carolina provides a good forum for addressing the broadband issue because it is a largely rural state. While North Carolina still has a significant number of communities that have not benefited from advances in technology, its leadership has expressed a strong commitment to address the needs of its rural population.

#### **Message: Need for Broadband Technology in Rural Communities**

- This event provides you with an opportunity to highlight the benefits of broadband as a way to provide access to rural communities. It is also a forum for you to recognize the importance of broadband networks to rural economic development, distance learning and telemedicine.
- As you know, Erskine Bowles has led a Rural Prosperity Task Force. The key conclusion of the Task Force was that broadband is critical to the economic future of rural North Carolina.

#### **Potential Site Visits and Events**

- You could visit a site that is linked up with the North Carolina Information Highway, a high-speed network that was created by Governor Jim Hunt.

#### **Key Commitments for North Carolina**

##### Qualcomm

- QUALCOMM has agreed to deploy wireless broadband Internet technology that will provide wireless broadband Internet access for people living in areas that are currently not served by DSL or cable modems.

##### National Science Foundation (NSF)

- You could announce that NSF plans to invest \$10 million in FY2001 funds for research for next generation broadband technology. Technological breakthroughs could accelerate the deployment of broadband networks in rural areas.



NTIA Report

- You could announce NTIA's report "Advanced Telecommunications Capabilities in Rural Areas." The report shows that rural regions may be falling behind urban areas in the development of broadband networks.

USDA

- You could direct the Department of Agriculture to expand its program for rural telecommunications to make it easier for companies to obtain loan guarantees for broadband networks.

Do you agree with the trip as proposed?

\_\_\_\_\_ YES

\_\_\_\_\_ NO

\_\_\_\_\_ DISCUSS FURTHER

May 6, 2000

MEMORANDUM FOR GENE SPERLING

FROM: TOM KALIL

RE: POSSIBLE "DIGITAL DIVIDE" TAX INCENTIVES

**Summary:** This memo outlines some possible options for tax incentives that would help close the digital divide. I have not shown this to anyone else. If you think these are generally on the right track -- I would circulate this memo to OVP, OMB, Commerce, Treasury, and other interested agencies.

**I. Home Access**

A. **Goal:** Encourage companies to provide computers and high-speed Internet access to all of their employees by making it a tax-free fringe benefit.

B. **Pending legislation:** John Lewis and Jerry Weller have introduced H.R. 4274, the "Digital Divide Access to Technology Act of 2000." It would allow employers to provide home computers and Internet access to their employees without these benefits being treated as taxable income to the employee.

- The DATA Act treats employer-provided Internet access and the first \$1,260 of the value of a computer and peripheral equipment (e.g., software and printers) as tax-free fringe benefits to the employee.
- However, for the proposal to apply, employers must provide computers to substantially all employees working in the United States and employees can receive only one computer every 36 months.

Representative Jefferson has introduced legislation (Digital Divide Elimination Act of 2000 - H.R. 4061) which would provide a 50 percent credit for computer equipment up to \$500 for anyone who is eligible for the EITC.

**C. Design issues:**

- Explicitly include broadband Internet access as part of deduction
- Allow for arrangements in which company leases the computer rather than transferring ownership to the employee.
- Credit should be increased to up to \$60/month - to allow for both broadband Internet access plus PC rental.

**D. Pros**



- Could encourage companies to start providing computer and Internet access as a fringe benefit -- could be linked to a Presidential challenge to companies to pledge to do this if the tax credit passed. Ford and Delta example shows that this could be a very powerful way to bridge the digital divide.
- Could encourage telecommuting - which can reduce pollution, congestion, and allow workers to spend more time with their families.
- Could allow companies to provide technology-based training so that workers can upgrade their skills.
- Government will save money if PC and Internet access is adopted more rapidly -- since this will allow more rapid transition to e-government and lower transaction costs.

#### E. Cons

- Some companies may be willing to do this any way (although not many companies have followed Ford and Delta).
- No income limits -- so may be subsidizing access for upper-middle class employees of companies like Intel (this does not apply to Jefferson approach).
- Could undermine the rationale for our proposal on the spending side.
- Doesn't help people who are self-employed.

F. **Recommendation:** I like the idea of doing something in the home access area.

## II. Broadband Access

- A. **Goal:** Encourage telecommunications companies to invest in high-speed networks in underserved urban and rural areas.
- B. **Pending legislation:** Senators Rockefeller and Snowe introduced S. 2321 -- the "Rural Telecommunications Modernization Act of 2000" on March 29<sup>th</sup>. The legislation provides an investment tax credit of 10-15 percent (depending on the bandwidth of the facility) for companies that invest in broadband networks for rural subscribers.

Senator Moynihan is working on a broader bill that would also include incentives for investment in poor cities, and incentives for much higher bandwidths in all areas of the country (e.g. 20 megabits/second as opposed to today's DSL which provides 640 kilobits/second).

- C. **Design issues** (see discussion in pros/cons)

D. **Pros:**

- There is some evidence to support the contention that companies are investing in urban areas before they invest in rural areas. President has explicitly said that rural areas should not have to wait for 10-20 years before getting broadband.
- U.S. would gain significant "first mover advantage" from being the first country to deploy broadband -- just as we gained significant competitive advantage from being the first country to deploy the "narrowband" Internet.
- Social benefits of broadband include distance learning, telemedicine, higher quality of life in rural areas.
- Tax incentives could distort marketplace less than efforts to finance broadband in rural areas through an expansion of the Universal Service Fund.

E. **Cons**

- Competitive Local Exchange Carriers (CLECs) are currently not profitable because they are investing heavily in new networks. They are concerned that the Incumbent Local Exchange Carriers will benefit disproportionately from an Investment Tax Credit.
- ILECs, which are neutral-to-hostile to the bill, are concerned that this bill would get in the way of their efforts to obtain regulatory relief from provisions of the Telecommunications Act. (This is not really a con from our perspective - but indicates the political obstacles to getting industry support).
- Could be very expensive (\$10 billion over 5 years).

F. **Recommendation:** I would not support anything that disproportionately benefited the ILECs, since it would run counter to our goal of promoting competition. I don't know whether this is possible to do -- especially since allowing CLECs to "lease" the tax credits could run counter to our efforts to crack down on tax shelters.

II. **Teacher training**

A. **Goal:** Encourage elementary and secondary teachers to purchase computers and get training in how to use technology in the classroom.

B. **Legislation:** Representative Stabenow has introduced two pieces of legislation (H.R. 1075 and 1076) which would:

- Provide a \$2,000 credit for teachers for purchases of computers, computer peripherals, and educational software.



- Increase the life-long learning tax credit to 50 percent for teachers than enroll in courses that train teachers to use technology and to integrate technology into the curriculum

C. **Design issues** (none)

D. **Pros:**

- Research shows that educational technology is not likely to improve student performance unless teachers are trained to use technology

E. **Cons**

- No evidence that teachers aren't purchasing PCs on their own
- Sending the signal that teachers are responsible for purchasing their own training

F. **Recommendation:** I would be more inclined to support the training tax credit -- as opposed to the computer tax credit. I think we need to talk with NEA and AFT about whether it is unreasonable to expect teachers to pay for their own training -- as this bill seems to suggest.

III. **Expansion of existing Administration proposals**

A. **Goals:** Encourage companies to:

- Donate computers to schools, libraries, and community technology centers
- Sponsor "qualified zone academies" (schools, libraries, community technology centers) in Empowerment Zones or Enterprise Communities
- Provide education programs in workplace literacy and basic computer skills

B. **Pending legislation:** New Millenium Classrooms Act (which passed the Senate 96-2 as an amendment to the Affordable Education Act) is different from our proposal in several respects:

- Computers can be up to three years old, as opposed to 2
- A company that reacquires the computer can be eligible for the credit
- [Credit may be different -- need to check with Treasury.]

C. **Design issues:**

1. Should we agree to some of the provisions in the New Millennium Classrooms Act (will be controversial with some in the education community -- especially the 3-year provision).
2. Our workplace literacy and computer skills tax credit is generally limited to people who lack a high-school degree. If they have a high school degree, they have to fail a basic skills test. This may make sense for workplace literacy, but not for computer skills. We ought to consider expanding this along the following dimensions:
  - Not limiting it just to people with below a high-school degree
  - Making sure that temp agencies like Manpower can take advantage of it
  - For low-income workers -- including not only basic computer skills but the kind of skills identified in the Conrad bill (e.g. computer programming)
3. The "qualified zone academy" credit is currently limited to Empowerment Zones and Enterprise Communities. This is because the credit is an "allocable" credit of 50 percent. If we wanted to expand this -- we would need to determine which political authority would be responsible for allocating the credit.

#### **IV. Other ideas -- no pending legislation**

1. Expanded R&D credit for R&D that would help close digital divide through:
  - Advanced educational technology and evaluation of technology in the classroom
  - Making IT products and services more accessible for people with disabilities

Credit could either be (a) expanded version of R&E credit; or (b) allocable credit awarded by competitive, merit-based process established by NSF and Department of Education.

2. Tax incentives for investments in "social venture capital" organizations that have as their primary mission creating digital opportunity for more Americans. Credits could be similar to NMVC. Social venture capital firms make investments on the basis of both social and private return on investment. Examples of investments could be development of Internet-based content aimed at the needs of low-income families.



Draft May 1, 2000

*Not Call Her - still paper - give some*

**Q. How can the average American who is already plugged in help with this effort to close the digital divide?**

I believe that we will not bridge the digital divide unless more Americans make this issue a priority in their local communities. I think there are a number of steps that all of us can take to create "digital opportunity" for more Americans:

- Parents can work with their schools to ensure that they are making effective use of educational technology - which requires multimedia computers, technology training for teachers, Internet access, and high-quality educational software and online learning resources.
- Voters can urge their elected officials at the federal, state and local level to support legislation to close the digital divide. My budget includes proposals to provide tax incentives to companies that donate computers to schools, libraries and community technology centers, create 1,000 new community technology centers in low-income neighborhoods, expand access to computers and the Internet for low-income families in the home; train all new teachers to use technology effectively in the classroom; and provide low-interest loans to companies that provide high-speed Internet access for rural communities.
- Everyone can volunteer their time to support local efforts to close the digital divide -- working with schools, libraries, and community technology centers. There are organizations such as TechCorps that match volunteers with schools that need technical assistance.

**Q. My journalism teacher from high school has been teaching in a West Virginia classroom for 25 years. She is excited about the effort to close the digital divide, but she's concerned that it will be difficult to motivate veteran teachers to embrace this new medium, master it and then incorporate it in their daily class lessons. How can we ensure that all teachers will be motivated to do their part?**

Clearly, teachers need to have the training that will allow them to be as comfortable with a computer as they are with the chalkboard. That's why I have proposed to double the amount of funding available to ensure that all new teachers can use technology effectively in the classroom. During my digital divide trip, I was pleased to announce that the deans of over 200 schools of education have pledged to ensure that all of their graduates will be prepared to teach using technology. They will also measure their progress towards this goal using a self-assessment tool developed by the CEO Forum on Educational Technology.

But we also need to help teachers who are already in the classroom integrate technology into the curriculum. My budget includes \$450 million for the Technology Literacy Challenge Fund, which helps states and local communities meet all four goals of my educational technology initiative (computers, Internet access, educational software, and teacher training). My



Administration has been encouraging states to devote at least 30 percent of these funds to help train existing teachers.

I think that teachers will be more excited by technology when they see the impact that computers and the Internet is having on the way teachers teach and students learn. In some classrooms in America, teachers are able to keep up with the latest developments in their field, exchange lesson plans with their peers, and communicate more frequently with parents. Students are able to tap into the Library of Congress, take "virtual" field trips to the bottom of the ocean, get online mentoring from experts outside of the classroom, and use simulation to more intuitively understand concepts in math and science. Teachers need exposure to the classrooms where technology is improving student performance in core academic subjects.

**Q. What would you say to those people who feel the digital divide is overhyped and overprioritized, and that giving low-income communities Internet access won't solve the fundamental problems of poor health care, crumbling school programs and unemployment?**

I believe that giving more Americans access to technology and the skills needed to use it is one of the most important steps we could take to expand economic opportunity in the 21<sup>st</sup> century. ~~I think that~~ computers and the Internet can help empower low-income individuals by helping them find employment using an on-line job bank, make better informed decisions about their health care needs, and upgrade their skills using distance learning.

Obviously, lifting more people out of poverty also requires expanding access to healthcare, raising the minimum wage, modernizing our schools, and helping people move from welfare to work. Access to technology is not a "silver bullet" for the economic and social challenges facing low-income families, but it can be a powerful tool.

**Q. What are your hopes for what the Internet will be for the average American in five years? 10 years?**

First of all, I hope that in 5-10 years, the Internet will become as widespread as the telephone is today. That will help ensure that the Internet expands economic opportunity for all Americans, as opposed to further polarizing American society along the lines of income, geography, education, race, and disability.

Second, I am confident that the Internet will become even more powerful and versatile than it is today. There are thousands of entrepreneurs and high-tech starts with innovative ideas for improving the Internet. The Internet of the future will be high-speed, accessible by hand-held wireless devices, and much easier to use.

Third, I hope that the Internet will be more secure and reliable, and allow people to use it while maintaining control over their personally identifiable information.

Finally, I hope that the Internet is used creatively by businesses, governments, educators, community organizations and individuals to tackle some of our toughest economic and social



challenges. People with disabilities should have full access to the Internet, and be able to lead more independent lives and increase their participation in the workforce. A child should be able to stretch a hand across a keyboard and reach every book ever written, every painting ever painted, and every symphony ever composed. And governments should use the Internet to become more open, democratic and responsive.

April 28, 2000

MEMORANDUM FOR GENE SPERLING

CC: TOM KALIL

FROM: JOSHUA WEINSTEIN

SUBJECT: GEEKCORPS AND THE INTERNATIONAL DIGITAL DIVIDE

This memo will provide background information on GeekCorps, a not-for-profit organization that is tackling the international digital divide.

**The World Wide Web for the Whole Wide World**

Starting this fall, GeekCorps will send its first group of volunteer "techies" to travel to Ghana as part of GeekCorps' pilot program. These volunteers will take three- to six-month sabbaticals from their current jobs to help bridge the international digital divide by working with high-tech companies abroad.

**Facts**

In the United States, approximately one in four people has regular access to computers linked to the Internet. In sub-Saharan Africa, however, the number is one in 1,000, according to a study commissioned last year by the United Nations. And in Southern Asia, only one in 2,500 people is tied into the Internet, the study states.

**GeekCorps**

GeekCorps is using information technology to improve the economic prospects of developing nations. GeekCorps and the local business partners it selects design ways to address technical needs of companies and groups abroad. Then GeekCorps selects volunteers with the expertise to meet those needs. GeekCorps trains its volunteers to teach their skills to people from different backgrounds.

**Goals**

- Improve the ability of businesses to contribute to their local economies; and
- Impart an appreciation for global interdependence to the internet community.

These goals are accomplished by training and sending "techies" abroad to bridge the digital divide.

- Volunteers spend three to six months on-site in developing nations, supported by GeekCorps' in-country staff. They spend their working hours helping the partner businesses and spend their free time exploring their host country and meeting its people.
- GeekCorps also assists partner businesses in finding venture capital from partners throughout the world. (Eventually, GeekCorps plans to create a venture fund that would function independently of the not-for-profit arm and invest in partner companies.)



**Founder**

Ethan Zuckerman – co-founder and CEO

Prior to founding GeekCorps, Ethan was Vice President, Research & Development for Tripod, Inc., one of the largest community sites on the Internet. Ethan helped found Tripod in 1994 after spending a year in Ghana as a Fulbright scholar at the University of Ghana at Legon. He is a graduate of Williams College.

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**Attachments:**

The Berkshire Eagle, 2/11/2000

Associated Press, 2/20/2000

The Chicago Tribune, 2/21/2000

The Hampshire Gazette, 2/19/2000

# The Berkshire Eagle

On the Web: [www.BerkshireEagle.com](http://www.BerkshireEagle.com)

Pittsfield, Massachusetts, Friday, February 11, 2000

36 pages — 50¢

## 'GeekCorps' being assembled to aid developing nations

By Rob Colenso Jr.  
Berkshire Eagle Staff

NORTH ADAMS — In an effort to stem the expansion of the "digital divide," a local Web veteran is creating a "techie Peace Corps" that will help developing nations bridge that ever-widening gap.

The company, known as GeekCorps, will be just that — a volunteer corps of computer programmers, marketers and business professionals that will travel to

foreign countries and help bring emerging high-technology industries to fruition.

At the helm is Ethan Zuckerman, a Internet veteran who was on the team that first launched Tripod Inc., the local success

story that has helped bring about the emerging Silicon Village in Northern Berkshire.

Once GeekCorps is up and running here, Zuckerman's volunteer high-tech experts will travel the world, using their skills to bridge

the gap between those who have access to the Internet for business and personal purposes and those who do not.

While much of the U.S. government's efforts have been poured into closing the digital divide on

home soil, the problem is far worse overseas, Zuckerman said.

In America, one in four people have regular access to computers linked to the Internet. In sub-Saharan Africa, however, the number is one in 1,000, according to a

study commissioned last year by the United Nations.

And in Southern Asia, only one in 2,500 people is tied into the Internet, the study states.

"These are all huge, huge problems that need to be addressed," Zuckerman said. "There is a five-year window before the problem starts looking a little insurmountable. Right now, I'm enough of a believer that I can believe there

CORPS, continued on A4



## Corps from A1

could be a burgeoning Net economy in Western Africa in the next five years."

But if the problem is not addressed soon, he said, two things will likely happen to those countries left behind as others adapt to a world that has been completely changed by the emergence of the Internet as a business tool.

First, he said, countries that are riding the crest of the technological wave will likely opt to not trade with those nations that aren't Internet-capable, choosing to instead deal with those who can do business online.

Or, he explained, countries will do business with the emerging nations, but will conduct their transactions through Western middle men who have jumped on the technology bandwagon and accordingly reap a lion's share of the profit from the transactions they broker between countries.

But starting this fall, six volunteer "techies" will take three- to six-month sabbaticals from their current jobs and travel to the West to assist in the development of Ghana as part of GeekCorps' pilot program.

Once there, they'll fan out to six different companies and work with local contacts to improve upon the businesses' technological assets.

"In many cases, people have some things going on, but they could be running better," Zuckerman said of overseas companies. "Or they could use our help in getting up to the next stage."

As an example, he said a "cyber-cafe" in Ghana with Internet-ready computers in-house could upgrade to a faster communications network with the assistance of a GeekCorps volunteer.

Or an emerging exporter of native goods could use a hand in launching an online version of their business, heightening their appeal to U.S. vendors who increasingly deal solely with Internet-capable overseas distributors, he added.

"We're looking for businesses that are already wrestling with issues and have a specific need," he explained.

When a specific company's need is identified, GeekCorps would then match it to a volun-

teer with a specific skill — be it marketing, computer programming or business management.

Zuckerman, who left Tripod last summer after spending nearly five years with the Web page hosting and building site, chose Ghana as the pilot-program country based on his extensive personal experience there.

### Williams graduate

A 1993 Williams College graduate who holds a bachelor's degree in philosophy, Zuckerman spent a year at the University of Ghana as a Fulbright visiting scholar of African music.

While there, he worked with the National Theatre of Ghana, in the city of Accra. He also studied the drumming styles of the Ewe people and the xylophone styles of the Dagadi people.

He returned to the U.S. in 1994, and joined Tripod as vice president of research and business development. Later, he assisted during the transition as Tripod was acquired by Waltham-based Lycos Corp. in early 1998.

Since leaving Tripod this past summer, Zuckerman has thrown his efforts into the development of GeekCorps, a company he sees as an outlet for those who have tired of the fast pace at Internet-related companies. Through GeekCorps, these people can take a break from the grind, travel to a foreign country and use their skills to assist an emerging company.

The concept is one that hits close to home for Zuckerman, who said in an interview yesterday that "there's still a little bit of the burned-out techie in me."

He is currently talking with officials at the Massachusetts Museum of Contemporary Art about renting space to serve as the headquarters of what will likely become a worldwide nonprofit group.

If the pilot program in Ghana meets with success this fall, the Lanesboro resident said he foresees sending about a dozen volunteers to work with two to three additional countries next year. Countries that those volunteers visit could include Costa Rica, the Dominican Republic, Namibia and Zimbabwe.

The common denominator between the Latin American and

African nations being considered is that all are in the lower third of technological development and they all have a reasonable amount of political stability. And with the Peace Corps already operating in those nations, an American support network is already in place.

Plus, he noted, "people can get excited about traveling to these countries."

The goal is to have volunteers working in 10 to 15 countries within five years, provided the nonprofit organization can obtain enough working capital through grants and other contributions.

### Raising funds

Zuckerman, his New York City-based partner Elisa Korentayer, and a group of about a half-dozen volunteers from the Silicon Village community are now working to raise funds, identifying volunteers willing to take sabbaticals from their current jobs and finding companies in foreign countries that are in need of GeekCorps' services.

As the company is a nonprofit organization, grants will be a key funding source at the outset. Zuckerman is also seeking funding from those who have made their fortunes through Internet-related ventures, however, as online companies owe their success to Internet development efforts begun by the U.S. Department of Defense in the 1960s.

"They really inherited the Internet and have a responsibility," he said.

In addition, GeekCorps will seek contributions from emerging high-tech companies that are willing to turn over a small percentage of their initial investor stock to GeekCorps, with the nonprofit group receiving the dividends.

Later in the development of GeekCorps, Zuckerman said he hopes to introduce a venture capital fund as an alternate investment opportunity.

"When we're matching volunteers to companies, if in the process we identify winners that are capital-strapped," he said, the GeekCorps venture capital fund could provide the financial boost that these companies need.

Essentially, he explained, there would be a for-profit arm of GeekCorps that would operate

independently of the nonprofit organization.

"In many cases we're talking about markets that have little venture capital," he said of the overseas high-tech companies, adding that GeekCorps venture capitalists could blaze a path of overseas investment for other investors to follow.

This concept seems innovative, but it has been proven right here in Berkshire County, Zuckerman said. The Berkshires Capital Investors venture capital firm has already blazed a trail through the local community with only \$5 million in initial venture capital.

With that initial investment from local contributors, BCI officials helped to draw in another \$40 million from firms outside Berkshire County for investment in local Internet-related companies.

Zuckerman foresees a time when GeekCorps could do the same for countries like Ghana and Zimbabwe.

Once GeekCorps' associated venture capital fund is off the ground, investors would then have some "interesting choices," he explained. They can either donate to the nonprofit arm and see a return of "social" dividends, or put money into the venture fund and see a financial return.

If all goes well, Zuckerman said he expects that at least six people would be employed locally, mainly training volunteers about to head out for a six-month stint overseas.

"There would be a whole stream of tech people coming through here," he said, noting that a training session would likely last two weeks before the volunteer heads to a foreign country.

Once there, two in-country employees would conduct another week of acclimation training prior to sending the volunteer to a specific company.

"It's always easier to travel when you have something to be doing," Zuckerman said, noting that life-changing experiences could come out of a stint as a GeekCorps volunteer.

"You can see the world with a purpose," he added. "And you can make ties that will last beyond your stay."



# ids probe signations

ISCO - Four senior officials at Aurora ner of such well- as Duncan Hines ma, resigned yes- company launched 1 into its internal tices.

on, chairman and James B. Ardrey, Ray Chung, execu- ent and M. Laurie of financial officer, n.

# nder fire meetings

ON - Arthur Levitt, Securities and Ex- ission, is taking ng privately with aders as the SEC aft rules governing ranging stock mar- a quest to tap opin- iture shape of the held several meet- weeks in New York fices of Wall Street including Merrill, Goldman Sachs rgan Stanley Dean group.

the meetings took osed doors prompt- urton, R-Ind., chair- use Committee on eform, to ask Levitt iled information on

# nd wire reports

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| 1.9858        | 1.9784   |
| \$1.6000      | \$1.6088 |
| 1.6284        | 1.62     |
| 1.4512        | 1.4511   |
| 0.2070        | 0.2110   |

Ethan Zuckerman, 27, of Lanesboro, is helping to establish a techie Peace Corps called Geekcorps which would help African economies get on the Internet. In this file photo, Zuckerman is shown at his desk at Tripod, an emerging Internet company located in Williamstown.

"If North Adams can become a vibrant information economy, so can Accra," Zuckerman said.

Photo by MATTHEW CAVANAUGH



# Techie Peace Corps pushes 'Net access

WMass' own Geekcorps, founded by Ethan Zuckerman of Lanesboro, hopes to help establish a 'Net economy in western African nations within the next five years.

# Associated Press

LANESBORO - These days, more than ever, a developing country needs much more than better chicken farms and dental clinics. It needs good Internet access too.

That's why a computer wonk from western Massachusetts is helping to found a sort of Peace Corps for volunteer techies. Geekcorps would start with a pilot project this year in Ghana.

"Right now, I'm enough of a believer that I can believe there could be a burgeoning 'Net economy in West Africa in the next five years," said Ethan Zuckerman of Lanesboro.

Zuckerman, a 1993 Williams

College graduate with a philosophy degree, began doing computer graphics as a student. He worked on professors' books and caught the Internet bug.

As a graduate, he spent a year at the University of Ghana, in the capital city of Accra, studying African music.

"I was basically astounded by the fact that there was no Internet penetration at all into this very vibrant city in West Africa. No one had heard of it," he said.

Later, he joined Tripod, an emerging Internet company in the rural Berkshire hills of Massachusetts. Lycos took over Tripod for \$61 million last year, and some began referring to the North Adams-Williamstown area as Silicon Vil-

lage in a nod to Tripod and other Internet companies located in the area.

"If North Adams can become a vibrant information economy, so can Accra," Zuckerman said.

Now 27, he has taken the helm of Geekcorps. He is working with a New York City partner and several local volunteers to pick and train volunteers and launch the pilot program in Ghana.

Zuckerman says six volunteers, who will be on three- and six-month breaks from their regular jobs, will work to improve computer technologies at six different companies. "In many cases, people have some things going on, but they could be running better," he said.

Zuckerman says he foresees eventually sending about a dozen volunteers next year to countries that might include Costa Rica, the Dominican Republic, Namibia, and Zimbabwe. He hopes to find

rental space for his headquarters in the northwestern Berkshires.

His partner, Elisa Korentayer, 25, who now works for an international development institute, said the Internet "will be a tool to provide all of the other essentials" in developing nations. It can develop into its own industry, allow companies to tap into more international business of many kinds, let Western doctors help patients in the Third World, and even help raise money for food and other humanitarian programs.

The volunteer program would be a nonprofit group funded largely with grants and donations from individuals and businesses in the Internet industry.

Zuckerman also hopes someday to start a venture capital fund as an alternative investment group. GeekVentures would raise money, invest in overseas high-tech companies, and pay dividends to its investors.

# Ford settles charges for \$3.8 million

To end the federal discrimination suit, Ford will also hire 100 female and minority job seekers.

# By CATHERINE STRONG

Associated Press

WASHINGTON - Ford Motor Co. will pay \$3.8 million in a settlement with the Labor Department over charges of discrimination against women and minorities if hiring at seven of the company's plants, federal officials said yesterday.

Ford also has agreed to hire 100 female and minority applicants who were turned down for entry level assembly line positions at the plants, and will compensate other applicants for lost wages, as they are located.

Labor officials said the agreement ensures Ford will hire more women and minorities at all its facilities because the company agreed to employ them in proportion to the percentage who apply.

"It is significant that the company - on a corporate-wide basis - will change its hiring analysis which will open a pipeline of opportunity to women and minorities who have too long been excluded from good paying jobs on the Ford assembly line," Labor Secretary Alexis Herman said.

The settlement is the fifth-largest by a company with the department's Office of Federal Contract Compliance, which oversees federal contractors to ensure they are complying with the government's affirmative action and nondiscrimination rules, officials said. The department can cancel federal contracts with companies that do not comply.

Ford did not admit to any discrimination in the settlement. The company said it wanted to avoid the costs and uncertainties of litigation.



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## WEB SPECIALS

COMPUTER ADVOCATE WORKS  
TO DEVELOP GEEKCORPS

February 21, 2000

These days, a developing country needs more than better irrigation tools and dental clinics. It might need good Internet access, too.

At least that's what a computer work from western Massachusetts believes. Ethan Zuckerman is helping to establish a sort of Peace Corps for volunteer techies.

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## Techie 'peace corps' starts

Saturday, February 19, 2000 -- (LANESBORO AP) - These days, more than ever, a developing country needs much more than better chicken farms and dental clinics. It needs good Internet access too.

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Terms: [digital divide and north carolina](#) ([Edit Search](#))*United Press International April 26, 2000, Wednesday*Copyright 2000 U.P.I.  
United Press International

April 26, 2000, Wednesday

**SECTION:** GENERAL NEWS**LENGTH:** 635 words**HEADLINE:** last take on Clinton in N.C.**BYLINE:** By MARK KUKIS**DATELINE:** WHITEVILLE, N.C., April 26**BODY:**

President Clinton met with business and community leaders Wednesday in rural **North Carolina** to promote initiatives aimed at linking the Internet to remote small towns, communities on the disadvantaged side of the so-called **digital divide**.

In Whiteville, a town of about 5,500 people near Wilmington, Clinton joined **North Carolina** Gov. Jim Hunt and a host of high-tech executives and small business leaders for a round table discussion on the challenges areas outside urban telecommunications hubs face in getting adequate access to the World Wide Web.

According to Commerce Department statistics, Less than five percent of small towns like Whiteville have high-speed Internet wiring, or DSL service, whereas 56 percent of cities with a more than 100,000 people have quick Internet hookups.

The problem sparsely populated, far-flung areas deal with is the high cost of stringing telecommunications cabling long distances from cities, where a high concentration of Internet users make setting up e-plumbing more cost effective.

But Irwin Jacobs, CEO and chairman of Qualcomm, showed Clinton wireless technology that would benefit places like Whiteville by allowing computers to link up to the Internet without phone lines at rates 100 times faster than regular Web service.

Clinton and Jacobs surfed the Web side by side on oversized demonstration screens, with Clinton lagging behind on the regular link-up while Jacobs zipped through large e-mail files, including a digital Christmas photo of the Clintons at the White House.

"We're hoping that areas such as this can be with wireless communication fairly quickly, hopefully within the next few years," Jacobs told Clinton.

Still in the prototype phases, the technology involves a \$200 computer box and area cell phone service, which typically costs about \$30 per month, a Qualcomm spokesman said. The company's initial marketing research showed a cost efficiency in terms of making profits, despite the seemingly small market rural areas typically offer.

Later, Clinton and Hunt spoke for a crowd of Whiteville residents at the town's old train tracks with former White House chief of staff Erskine Bowles, a native of the state who now heads the **North Carolina** Rural Prosperity Task Force.

Clinton stressed the importance of tapping into the Internet in the Information Age economy to the crowd of roughly 2,000 people, who stood in the outside in front of the dilapidated train depot with their backs to boarded-up store fronts.

Calling the Web a way to collapse distance and time in doing business, Clinton said Internet access represented a method for the Whiteville community to rejoin the economy that has boomed ahead of the isolated area, which has 12.1 percent rate of unemployment, one of the highest in the **North Carolina**, according to the state statistics.

"It will mean more jobs, more businesses, higher incomes and more opportunity," Clinton said.

Clinton's trip to **North Carolina** was the second leg of his ongoing tour throughout the country to highlight the **digital**

**divide**, the economic gap between communities with Internet tools and training and those without. Earlier this month the president visited East Palo Alto, a Navajo Indian reservation in New Mexico and Chicago to kickoff efforts aimed at spreading Internet resources to underprivileged communities.

The White House focus on **digital divide** is part of a broader agenda dubbed "new markets" initiatives, which have taken the president on a total of four trips to poor areas in an effort to expand the current economic upswing, driven largely by a boom in the high-tech industry, to poor people who have not benefited from the country's overall growth.

After speaking in Whiteville, Clinton left **North Carolina** for Little Rock, Ark., for an overnight stay.

**LANGUAGE:** ENGLISH

**LOAD-DATE:** April 27, 2000

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April 27, 2000, Thursday, Final Edition

**SECTION:** A SECTION; Pg. A10**LENGTH:** 694 words**HEADLINE:** On the Road, Clinton Stresses Rural Internet Access**BYLINE:** Charles Babington , Washington Post Staff Writer**DATELINE:** WHITEVILLE, N.C., April 26**BODY:**

President Clinton revisited two of his favorite topics today, calling for closing the "**digital divide**" between those with and without Internet access and urging relief for older Americans with high prescription drug costs.

Speaking to an outdoor crowd of several hundred people in this hard-pressed eastern **North Carolina** town, the president announced several public and private efforts to bring high-speed Internet connections to rural areas. Such "broadband" access, he said, would allow rural residents to tap educational and job opportunities that increasingly are linked to the World Wide Web. But high-speed connections are coming slowly to remote communities, he said, because the cost of laying new cables is prohibitive.

The Internet "collapses time and distance," Clinton said, slapping his hands together for dramatic effect, and noting that some in the audience probably have never used a computer. "We have a chance to move more people out of poverty and into employment," especially from rural areas, "than at any other time in our history," he said.

Broadband access is a general term for high-speed Internet connections, which can be achieved in various ways, but require more than a normal telephone line. Two of the most common methods involve cable modems or digital subscriber lines (DSL), which use copper phone lines. Both these methods are practical only in urban areas, Clinton said, where many homes and businesses can be connected economically in a compact region.

He touted several efforts to close the computer access gap, most notably a pledge by **North Carolina's** three major local phone companies--BellSouth, Sprint and GTE--"to provide high-speed, affordable Internet access to all of the state's businesses and citizens within three years." The companies have promised there will be "no significant difference in price between urban and rural areas," a White House briefing paper said.

Meanwhile, Qualcomm Inc. announced a \$ 1 million investment in wireless high-speed Internet connections for Whiteville and seven other rural communities. Clinton also said the Rural Utilities Service will no longer limit its \$ 670 million loan program to companies that provide only basic phone service in rural areas. The change should encourage the spread of broadband connections, he said.

He also announced that MCI WorldCom will spend \$ 2 million to expand wireless high-speed Internet access in Raleigh, N.C., Hattiesburg, Miss., Houma, La., and Dothan, Ala.

Earlier today at the White House, the president unveiled a report showing that prices for the 50 most commonly prescribed drugs for elderly Americans increased by nearly twice the rate of inflation last year. Clinton said the findings bolster his call for adding a prescription drug benefit to Medicare.

"Seniors living on fixed incomes simply can't cope with these kinds of price increases forever," he said. "That's why we should take action to help them and do it now."

Clinton's legislative proposal would allow Medicare recipients to buy a drug benefit with an initial premium of about \$ 26 per month, rising to \$ 50 in a few years. It would cover half of all drug costs, up to \$ 2,000 at first, and eventually up to \$ 5,000.

Congressional Republicans have sketched an alternative plan. It would provide subsidized prescription drug coverage as well as a yet-to-be-detailed "stop-loss" protection against huge bills. Republicans say their plan would drive down everyone's drug costs by sharing some of the risk with health insurance companies, which in turn could offer lower premiums.

The drug price study was conducted by Families USA, a consumer group. Some pharmaceutical manufacturers said the report overstates the rise in drug costs.

Vice President Gore also picked up on the report during a campaign stop at a pharmacy in Hartford, Conn., marketing his own plan to include prescription drugs in Medicare. "At a time when prescription drugs are at the forefront of modern medicine, we need a health care system that treats them as a medical necessity, not an optional luxury," the presumptive Democratic nominee said in a statement.

**LANGUAGE:** ENGLISH

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The Associated Press State &amp; Local Wire

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April 26, 2000, Wednesday, AM cycle

**SECTION:** Business News; State and Regional**LENGTH:** 783 words**HEADLINE:** Companies agree to bring Internet access to all parts of state**BYLINE:** By MARTHA WAGGONER, Associated Press Writer**DATELINE:** RALEIGH**BODY:**

For some North Carolinians, AOL, eBay, Yahoo! and Google are everyday companions. But these Web sites are strangers to thousands of others who lack Internet access.

That will change within three years, Gov. Jim Hunt vowed Wednesday, announcing an agreement among the state's three major communications companies to bring affordable, high-speed Internet access to all North Carolinians within three years. BellSouth, Sprint and GTE also agreed to provide local dial-up Internet access from every telephone exchange within one year.

The state's seven independent telephone companies and nine cooperatives also agreed to the deal, said Bob Wells, executive director of the **North Carolina** Alliance of Independent Telephone Companies. The approximately 45 medium-sized carriers also were expected to sign off, state officials said.

"By brokering this agreement, **North Carolina** is leading the nation in bridging the **digital divide**," said Hunt, who touted the agreement as the first of its kind in the United States.

Hunt's announcement coincided with President Clinton's visit to the state to promote Internet access.

The agreement will allow rural areas of the state to have Internet service at a cost and speed comparable to urban areas. Residents will be able to use any available Internet service provider, not just those provided by the telephone companies. The deal was cheered by those who work to bring technology to underserved areas of the state.

"That's the best news the governor could have announced for rural **North Carolina** that I could think of," said Dave Boliek, executive director of ExplorNet, a Raleigh-based nonprofit that helps bring low-priced computers and other high-tech gear into **North Carolina** classrooms.

"Rural **North Carolina** has got to have it," he said. "If they're going to take part in the technological revolution, they have got to have high-speed access."

Some rural residents with Internet access must place a long-distance call to log on, he said.

"That denies them the ability to participate," Boliek said. "Having it a local call, that's going to open up the world for a lot of people."

**North Carolina** ranks 46th in the nation in Internet access, according to a 1999 U.S. Department of Commerce study, and it is reflected in the cost of rural service. Only a month ago, it cost a Greensboro business \$216 a month for a high-speed line - for which a Henderson business would have to pay \$2,670.

And the U.S. Commerce Department estimates that fewer than 20 percent of **North Carolina** households have Internet access. Rural residents trail the national average of Internet access by as much as 50 percent.

Under the agreement, the phone companies and cooperatives will work with Internet service providers, telephone cooperatives, state government and others in the communications industry to provide the access within three years. In addition, the communications companies will provide local dial-up Internet access from every telephone exchange within one year.

The agreement's goals will be carried out by a nonprofit entity created by legislation or by an executive order from Hunt. Its board will include representatives from each of the communications stakeholders as well as state and local government representatives.

"Our industry has long understood that a key to the economic success of our state is the availability of advanced communications technology," BellSouth, Sprint and GTE said in a statement. "This agreement will be a milestone in the development and use of the Internet and advanced broadband services throughout **North Carolina**."

Earlier this year, the Rural Prosperity Task Force recommended that rural parts of the state have high-speed, affordable Internet access. The head of the task force, Erskine Bowles, helped negotiate the agreement.

"In a few years, companies that can't do business on line will be disconnected from doing business with all of the Fortune 500 companies," Bowles said. "This agreement will ensure that all North Carolinians, regardless of where they live, will have equal access and equal opportunity for success."

Also included in the agreement are plans to:

- Help more people own computers and Internet-related equipment.
- Help citizens get information on the availability of Internet services.
- Promote the development of e-government applications, which will allow citizens to conduct business with the state on-line.
- Establish two pilot Telework Centers in the state's most economically distressed counties within the next 18 months. Residents could go to the centers to conduct business over high-speed Internet connections at affordable rates.

**LANGUAGE:** ENGLISH

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*The Associated Press April 26, 2000*

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April 26, 2000, Wednesday, PM cycle

**SECTION:** Domestic News**LENGTH:** 704 words**HEADLINE:** Clinton visits rural **North Carolina** to call for better digital hookups**BYLINE:** By DEB RIECHMANN, Associated Press Writer**DATELINE:** WHITEVILLE, N.C.**BODY:**

In this **North Carolina** town where first-run movies come a few weeks late and people speak slowly with a soft drawl, President Clinton today underscored a need for better and faster Internet connections in homes and businesses in rural America.

"It bothers me that in the face of the longest economic growth in our history there are people and places who have been left behind," Clinton told several thousand people who gathered in front of small downtown businesses.

"What does the Internet do?" he asked. "It collapses time and distance. We have never been able to do that."

Residents of this farming community can access the World Wide Web. But for some people, who depend on ordinary phone lines, it's more like the "World Wide Wait," the White House said.

"The Internet is slow. You can try to get on, but it sometimes takes 30 to 45 minutes before we can even connect because of the phone lines. And then sometimes, when you're in, it will boot you out," Theresa Jones, who has a custom drapery business in her native Whiteville, said as she waited to see Clinton.

It's not just Internet connections that are slow-moving in this town of about 12,000 people.

"Whiteville is very slow, very slow. No one's ever in a hurry," she said. "There's only one movie theater. Movies are a little late. Twelve o'clock on the dot you leave to lunch. Five o'clock on the dot, everybody is ready to walk out from work."

Clinton's trip to Whiteville was the fifth in a series of "New Market" tours the president has made to stress the need for economic development in depressed areas of the nation like Columbus County, N.C., where the unemployment rate is 12 percent - one of the highest in the state.

He toured Remote Data Systems Inc., a 7-year-old company that designs and makes devices for scientists and environmental regulators. To keep growing, the company needs faster access to the Internet, something that doesn't come as cheaply in Columbus County as it does in more urban areas of **North Carolina**.

RDS President Ben Frink showed Clinton one of the company's monitoring devices that is bear-resistant.

"I could use that in Washington," Clinton joked.

He also watched a demonstration on how wireless high-speed internet technology can be affordably deployed in remote areas where it is costly to lay cable and fiber data-transmission lines.

Dr. Irwin Jacobs, chairman of Qualcomm Inc., a telecommunications company, showed off the speed of the technology

using e-mail hookups on two computers set up side by side. Clinton stood and maneuvered the mouse while Jacobs showed how slow the wired connection was when compared to the wireless one. It was minutes vs. seconds.

"What difference does it make except I have to wait longer than you are?" Clinton asked.

Jacobs explained that those extra minutes can make a huge difference for business-to-business e-commerce. Besides, Jacobs said, the wireless link was more mobile and easier to install in places that lack up-to-date wire connections.

While the number of homes that own computers is rising, a Commerce Department report last July revealed a widening technological gap between whites and minorities, urban and rural citizens. The report found that black and Hispanic households are only two-fifths as likely to have access to the Internet as white families. And households with incomes of \$75,000 and above in urban areas, the report said, are more than 20 times as likely to have it as households at the lowest income levels.

"We're kind of on the back burner because we're kind of rural, down South. But we don't need to be on the back burner. The Internet can change business like crazy," said Jeanene Lee, a middle school science teacher in nearby Tabor City, N.C.

Schools need help too, she said.

"We've got two working computers in our library at our school, but not in the classrooms," she said. "We do have computers sitting in boxes, but we just can't get the hookups."

But not everyone thinks Whiteville is in a digital time warp.

"The Internet's here," said 16-year-old Kent Singletary of Whiteville.

His mom says he uses the Internet for homework.

What does he really do online?

"Chat," he said.

**LANGUAGE:** ENGLISH

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USA TODAY, April 27, 2000

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April 27, 2000, Thursday, FINAL EDITION

SECTION: NEWS; Pg. 7A

LENGTH: 737 words

HEADLINE: Internet equality in town and country

BYLINE: Jill Lawrence

DATELINE: WHITEVILLE, N.C.

**BODY:**

WHITEVILLE, N.C. -- A rural county with a 12.1% jobless rate was the backdrop Wednesday for the latest stop on President Clinton's "digital divide" tour. The setting was meant to highlight the importance of high-speed Internet service to rural America, and to emphasize that rural communities shouldn't be deprived of a crucial economic tool.

"We ought to invest in you and your future," Clinton told a crowd of several thousand -- nearly equal to the population of Whiteville -- gathered at the town train depot. "We believe in rural North Carolina and rural America (that) Internet access ought to be just as likely as telephone access," Clinton said. "You ought to be able to use it in the fastest possible way, and if you can, it'll mean more jobs, more businesses, more income and more opportunity."

High-speed Internet access, 10 to 100 times faster than what is available over an ordinary phone line, is as vital to the economy today as railroads, electricity, bridges and roads were in the past, Clinton said. The access, also known as broadband, is available through several technologies, including Digital Subscriber Line (DSL) using existing phone lines, cable modems, satellites, wireless and fiber optics.

Rural America already lags in access to broadband service at affordable rates, according to a report released Wednesday by the departments of Commerce and Agriculture.

More than 56% of cities with populations of more than 100,000 had DSL available from regional Bell operating companies, but the service was available in fewer than 5% of towns with populations under 10,000, the report found. And more than 65% of cities of more than 250,000 had cable modem service, but it was available in fewer than 5% of towns of 10,000 or less.

If the trend continues, the report said, rural communities will

find it harder to attract new businesses. And companies already located in communities without affordable high-speed access won't be able to communicate efficiently with suppliers, customers and other businesses.

This area, in southeastern **North Carolina**, is suffering economically from plant closings, floods, falling commodity prices and a depression in tobacco farming. "Whiteville needs to be revitalized," said Gov. Jim Hunt, appearing with Clinton.

Price is an obstacle to high-speed Internet access. Businesses here in Columbus County spend \$ 21,000 a year for high-speed access, compared with \$ 3,000 a year in the state capital, Raleigh, a state task force found.

Clinton has visited Indian reservations, poor neighborhoods and trade shows in four earlier trips aimed at drawing attention to the "**digital divide**" between affluent and low-income America, and to private and public efforts to ease the problem.

Vice President Gore also has been stressing the issue in his presidential campaign. In February, he proposed expanded government-supported research into satellite and wireless technologies that can make high-speed Internet access more affordable in rural areas.

Clinton announced a number of programs to expand high-speed Internet access. Among them:

- \* BellSouth, Sprint and GTE have agreed to make high-speed access available to the entire state of **North Carolina** within three years.
- \* The Rural Utilities Service will expand a \$ 670 million loan program to include companies providing high-speed access. (Currently, it's limited to those providing basic phone service.)
- \* The National Science Foundation will commit \$ 10 million for research into broadband technology for rural America.
- \* Technology for All, a non-profit organization, will provide broadband access for 100 computer learning centers operated by the Department of Housing and Urban Development in cities and rural areas.
- \* Qualcomm, MCI WorldCom and AT&T will invest money to broaden high-speed access to the Internet in rural areas.

Before he spoke, Clinton discussed Internet access at a roundtable with local business leaders and toured Remote Data Systems, a small local company that manufactures environmental monitoring equipment.

RDS board member Craig Turner said he is anticipating huge benefits from high-speed Internet access.

"It's going to give us open doors that I wish we'd had four or



five years ago," such as "the potential to interact with customers all over the world," he said.

**GRAPHIC:** PHOTO, b/w, J. Scott Applewhite, AP; Highlighting 'digital divide': President Clinton and Gov. Jim Hunt arrive in Whiteville, N.C. Among those also appearing with Clinton: Rep Mike McIntyre, D-N.C., and former Clinton chief of staff Erskine Bowles, a **North Carolina** native.

**LANGUAGE:** ENGLISH

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LATIMES

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April 27, 2000, Thursday, Home Edition

**SECTION:** Part A; Part 1; Page 5; National Desk**LENGTH:** 614 words**HEADLINE:** NATIONAL PERSPECTIVE;  
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PRESIDENT CONTINUES HIS CAMPAIGN TO PROMOTE HIGH-SPEED INTERNET ACCESS FOR RURAL AREAS  
WITH TRIP TO SOUTHEASTERN **NORTH CAROLINA**.**BYLINE:** JAMES GERSTENZANG, TIMES STAFF WRITER**DATELINE:** WHITEVILLE, N.C.**BODY:**

President Clinton pressed ahead Wednesday with his efforts to expand the Internet's reach, as the government released a survey showing small-town America is lagging behind urban centers in gaining access to high-speed digital communications.

The president, on his fifth trip to draw attention to the "**digital divide**," this time landed in the southeastern corner of **North Carolina**--continuing a tour that has taken him to such disparate sites as an Indian reservation in New Mexico and East Palo Alto, Calif. At each stop, Clinton has touted the need to help down-and-out communities catch up with more prosperous, thoroughly wired ones.

Part preacher, part salesman, the president told a gathering of Whiteville residents: "No. 1, we believe that in rural **North Carolina**, in rural America, Internet access ought to be just as likely as telephone access. And, No. 2, you ought to be able to use it in the fastest possible way. And, No. 3, if you can, it'll mean more jobs, more businesses, higher incomes and more opportunities."

Clinton stopped Wednesday at an environmental monitoring technology company, Remote Data Systems, where he witnessed a demonstration of broad-band, or high-speed, Internet operations. The company uses the Internet to sell its products as far away as Australia.

At the heart of Clinton's message is the idea that high-speed access to the Web is perhaps as crucial to the commercial development of small-town America as telephone and railroad service once were.

Standing in front of a shuttered railroad depot, Clinton said that no matter how many roads were built or electricity lines strung, "we never quite caught up in rural America, did we?"

The Internet, he said, can change all that.

"What does the Internet do that the railroads didn't do, that the highways didn't do, that a rural airport didn't do, that electricity didn't do?" he asked. "It collapses time and distance."

As Clinton was making his pitch, the White House made public a report by the Commerce and Agriculture departments on the lack of access in small towns and their outlying communities to high-speed Internet connections.

The report found that cable modems and digital subscriber lines, or DSL, "are being deployed at a high rate" but largely in urban areas. Only 5% of towns with populations of 10,000 or fewer have cable modem service, the report says. DSL options



are similarly lacking.

The gap, according to the report, is caused by factors both economic (the cost of erecting wires to carry digital signals to individual homes) and technological (the difficulty of sending signals increases as the distance between the central stations and homes grows).

But on an encouraging note, the report says that service in rural areas is likely to be provided "through new technologies, which are still in the early stages of deployment or . . . testing."

"Satellite broad-band service has particular potential for rural areas, as the geographic location of the customer has virtually no effect on the cost of providing service," the report says.

Just how wide the **digital divide** actually is and where it exists remain open questions. Some Internet experts are skeptical about the need for a dramatic effort to close it.

They say that the gap--documented in the mid-1990s by the federal National Telecommunications and Information Administration--largely has disappeared, at least as measured among specific demographic groups of Americans.

Indeed, a study last year by the Cambridge, Mass., consulting firm Forrester Research found that Latinos, blacks and Asian Americans were signing up for Internet access at a higher rate than whites.

**GRAPHIC:** PHOTO: President Clinton promotes Internet access in a visit to Whiteville, N.C. PHOTOGRAPHER: Associated Press

**LANGUAGE:** English

**LOAD-DATE:** April 27, 2000

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Morning Star (Wilmington, NC)

April 27, 2000, Thursday

**SECTION:** Front Page; Pg. 1A, 4A**LENGTH:** 430 words**HEADLINE:** Plan to bring high-speed Internet to entire state**BYLINE:** MARK SCHREINER, Assistant City Editor**BODY:**

WHITEVILLE - Mirroring earlier efforts to improve rural life by paving roads and stringing electric lines, Gov. Jim Hunt and President Clinton announced plans Wednesday that would bring high-speed Internet service to every corner of the state by 2003.

Gov. Hunt revealed an agreement between the administration and the largest telecommunication companies in the state that he said would erase the "digital divide" between rich and poor, and provide broad new avenues for commerce in isolated rural areas.

"I remember the day the asphalt paving machine came down our dirt road when I was a boy," said the governor, who joined the president on an official visit to Columbus County. "Getting connected today means something far different from what it meant back then."

The president toured Remote Data Systems, a local company that sells scientific measuring devices. Bill Applewhite, RDS's general manager, told the president the growing company is hamstrung by high Internet cost. A dedicated line, which can cost a few hundred dollars monthly in the state's big cities, can cost \$ 1,500 a month in Columbus County.

Irwin Jacobs, CEO of the communications equipment maker Qualcomm, demonstrated a wireless modem that, using cellular telephone technologies, could provide high-speed Internet access in rural areas.

"The South has developed a lot since World War II, but we've always been behind because of time and distance," Mr. Clinton said. "The Internet collapses time and distance."

The agreement announced Wednesday pledged tax credits from **North Carolina** in exchange for promises from BellSouth, GTE and Sprint to extend their networks to every part of the state.

In the first phase, the companies would ensure entry-level "dial-up" Internet service for every telephone exchange in the state, eliminating long-distance access charges in many rural areas. A second phase would have the companies make investments and upgrades so high-speed service would be affordable and available across **North Carolina**.

Meanwhile, Qualcomm Inc. announced a \$ 1 million investment in wireless high-speed Internet connections for Whiteville and seven other rural communities.

The president also announced that MCI WorldCom will spend \$ 2 million to expand wireless high-speed Internet access in Raleigh; Hattiesburg, Miss.; Houma, La.; and Dothan, Ala.

"Look what rural electrification did for this state, look what telephone development did for this state," Gov. Hunt said. "We ought to make high-speed, affordable Internet access as common as the telephone."

**GRAPHIC:** Staff photos / MARK COURTNEY. President Clinton works the crowd at the Whiteville train depot during his

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PAPER*The News and Observer (Raleigh, NC) April 27, 2000 Thursday,*Copyright 2000 The News and Observer  
The News and Observer (Raleigh, NC)

April 27, 2000 Thursday, FINAL EDITION

SECTION: NEWS; Pg. A1

LENGTH: 1091 words

HEADLINE: Clinton boosts Internet

BYLINE: James Rosen, Washington Correspondent

BODY:

WHITEVILLE -- President Clinton and Gov. Jim Hunt went to a poor corner of southeastern **North Carolina** on Tuesday and announced an ambitious plan to wire the whole state for high-speed Internet service within three years.

Hundreds of people lined the streets and roads of Whiteville, waving at Clinton as his motorcade passed on his "New Markets" tour to help spread the computer revolution to rural Americans.

Clinton addressed 5,000 people outside the shuttered train depot on Main Street in Whiteville, pounding the lectern as he urged them to upgrade their computer skills.

"I don't care if you don't have a college degree," Clinton said. "I don't care if you never finished high school. You need to figure out how these computers work. You need to figure out how to get on the Internet. You need to figure out how it will help you. ... You need to figure out how to do this because this is the future of America."

Hunt, accompanying Clinton on his visit to the Columbus County seat, said BellSouth, Sprint and GTE had agreed to work with the state government to bring broad-band Internet access to all North Carolinians.

"By brokering this agreement, **North Carolina** is leading the nation in bridging the **digital divide**," Hunt said.

BellSouth, Sprint and GTE didn't outline how they would pay for the new initiative, and Hunt didn't say whether he would seek state funding from the General Assembly.

Still, residents cheered the president's visit.

"I think it's the greatest thing I've ever seen in 47 years," said Dominique Hammond, a clerk with the county health department. "Just because we're a small town doesn't mean we can't have the Internet and computers."

Only 20 percent of North Carolinians are linked to the Internet, ranking the state 46th in the country, according to a

U.S. Commerce Department report.

Clinton's visit, the first by a president to Columbus County, followed trips this month to East Palo Alto, Calif., Chicago and the Shiprock Navajo Reservation in New Mexico.

Clinton began his New Markets tour of inner cities and rural regions this year to promote business investment in those places, and his recent trips have focused on widening access to the digital revolution.

"It bothers me that in the face of the longest, strongest economic expansion in our nation's history, there are people and places who have been left behind," he told the Whiteville crowd.

In introducing Clinton, Hunt noted that North Carolinians living in rural areas must pay much more for high-speed Internet access than folks in the cities.

"It costs 10 times as much in our rural areas as it costs in Charlotte or Raleigh. I think that's wrong, don't you?" Hunt said to loud cheers.

Under the new agreement, the three largest communications companies in **North Carolina** will work with state government officials, Internet service providers and telephone cooperatives to provide high-speed Internet access for all residents by 2003.

Hunt said he will set up, through legislation or executive order, a non-profit agency to facilitate the initiative. It will be headed, he said, by a board of representatives from BellSouth, Sprint and GTE and from state and local governments.

Melinda Pierson, a state Commerce Department spokeswoman, said the initiative replaces Hunt's bid to require phone companies to impose an 8-cent monthly charge on their customers' bills to pay for high-speed Internet access.

The surcharge was a key recommendation of the Rural Prosperity Task Force, which Hunt set up last year to recommend ways of closing the economic gap between the state's urban and rural areas.

In addition to the state alliance with the three companies, Clinton and Hunt unveiled independent initiatives by three other major telecommunications firms:

- MCI/WorldCom will spend \$ 2 million for wireless Internet service at schools, libraries and community centers in **North Carolina** and other Southern states.
- AT&T pledged \$ 1.2 million to develop advanced technology classes at **North Carolina** universities.
- And Qualcomm promised to invest \$ 1 million to develop high-speed Internet access in Whiteville and seven other rural communities.

Columbus County is among the poorest in the state, with an unemployment rate of 12.9 percent - nearly three times the state level - and per-capita annual income of \$ 14,477.

Seven of eight textile plants in Columbus have closed or moved to Mexico in the last several years, and county farmers have been hammered by low commodity prices and declining tobacco consumption.

"We're in the lowest economic state we've ever been in," said Amon McKenzie, a county commissioner who lives outside



Whiteville. "We certainly need some gleam of hope. The president coming here will boost our spirits and let us know that the rest of the world recognizes us."

Before giving his speech outside the train depot, Clinton toured Remote Data Systems, a Whiteville company that makes groundwater-monitoring equipment.

With Clinton using a computer mouse, Ben Fink, the company's president, and Irwin Jacobs, chief executive officer of Qualcomm, demonstrated the time difference between using high-speed and regular Internet phone service.

As Clinton downloaded diagrams of the company's equipment from its Web site, the images appeared instantaneously on the large screen hooked to the high-speed Internet server. It took several minutes to appear on the screen linked to a regular Internet connection.

Clinton and Hunt then had a round-table meeting with 30 people, including Erskine Bowles, Clinton's former chief of staff; U.S. Reps. Mike McIntyre, Bob Etheridge, Eva Clayton and Robin Hayes; and William Kennard, chairman of the Federal Communications Commission.

Other participants included state Commerce Secretary Rick Carlisle; Rex Adams, dean of the Fuqua School of Business at Duke University; Robert Sullivan, dean of the Kenan-Flagler School of Business at UNC-Chapel Hill; and Bill Friday, UNC president emeritus.

While most folks in Columbus County were glad to see Clinton, a few expressed skepticism about his message of creating prosperity by closing the **digital divide**.

"I still don't see how the Internet is going to help us at Ronald's Tire and Alignment," said Carson Green, a local mechanic. "I've never seen anyone put a set of tires on over the Internet."

**GRAPHIC:** 3 c photos Whiteville - like all of America - must take part in the computer revolution, President Clinton says. William Sealey, center above, waited four hours at the historic train depot to get a front-row seat to see President Clinton, right, who spoke to a large crowd about the prospects of wiring rural areas for high-speed Internet access. Staff photos by Robert Willett

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April 26, 2000

SECTION: Pg. NA

IAC-ACC-NO: 61764272

LENGTH: 832 words

HEADLINE: Clinton Stumps In N.C. On Rural Access To Broadband 04/26/00.

BYLINE: Krebs, Brian; MacMillan, Robert

**AUTHOR-ABSTRACT:**

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**BODY:**

WHITEVILLE, N.C., 2000 APR 26 (NB) -- Fresh from his **digital divide** tour to Silicon Valley, the Navajo Indian reservation in Shiprock, N.M., and Comdex in Chicago, President Clinton today traveled to **North Carolina** to discuss rural broadband issues in the heart of Tar Heel country.

Clinton arrived at the rural town just after releasing a report which found that unlike their urban counterparts, US residents in rural areas have little or no access to broadband services offered over cable lines, primarily because the cost to serve a customer increases the greater the distance among customers. The report found that less than 5 percent of towns with fewer than 10,000 residents had access to either cable or digital subscriber line (DSL) high-speed Internet service.

"It bothers me that in the face of the longest, strongest creative economic growth in our history, there are people and places who have been left behind," Clinton said at a train depot in rural Whiteville, N.C. "And mostly they are places that are physically isolated."

While conceding that it is more expensive in rural areas than in the cities to roll out broadband access, Clinton told onlookers that the administration planned to make available - through the rural utility service - loans that will allow rural areas to offer high-speed Internet at a subsidized rate. Representatives from several high-tech and telecommunications companies partnering with the administration - including Qualcomm, Linux producer Red Hat, MCI WorldCom Inc., BellSouth, and GTE - were on hand today to demonstrate their wares.

Earlier in the day, Clinton visited Remote Data Systems, a company that has called for increased broadband rollout to rural areas. Remote Data Systems, a small business specializing in wetlands measurement and shallow ground water systems, needs "high-speed Internet access" to remain competitive both on a state and nationwide basis. RDS President Ben Fink told the president that it cannot get broadband or other high-speed Internet services because it is located in a poor, rural county.

RDS claims that it costs seven times as much per month for high-speed Internet access in rural **North Carolina**, compared to urban areas, and therefore the company finds it "much more difficult to be full participants in the digital economy."

At RDS, Clinton was shown a demonstration of a small business competing over the Internet. RDS President Ben Frink showed Clinton two devices his company manufactures made of plastic pipe and sensors used to measure wetlands. Fink told the president that his company sells the devices as far away as Australia.

Qualcomm President Irwin Jacobs then conducted another demonstration to show how his company's new wireless technology would help rural areas establish speedy connections to the Internet. The commander-in-chief operated the mouse connected to the slower dial-up that was wired to the Internet, while Jacobs used the faster, 2.4 megabytes/sec wireless device.



While there were fewer glitches than usual in such demonstrations, Clinton accidentally clicked on the exit button causing a bit of a delay. After things got going, however, he pronounced the speedy system "beautiful."

The president also held a roundtable discussion on broadband issues with CEOs, small business owners and state and local officials, where he expressed optimism that rural areas such as Whiteville would indeed benefit from the administration's efforts. Clinton said that in 1994 when he first proposed wiring the nation's schools, only 14 percent of schools were wired and three percent of classrooms has connections. Now, he said, 65 percent of classes and 95 percent of schools have at least one computer site.

Clinton first announced his intent to visit **North Carolina** to discuss broadband issues last week in a keynote speech at the Comdex trade show in Chicago.

On his recent sojourn across the country, Clinton called on the IT industry to offer up cash to help eliminate the **digital divide**, the inability of poor Americans to get online because of their financial circumstances. He said that private industry has pledged as much as \$ 100 million, while the federal government would shell out potentially billions of dollars for education and other **digital-divide**-related purposes under the FY 2001 budget request.

The Clinton administration, as well as Congress members of both parties, have called for more rural broadband rollout, a condition of the Telecommunications Act of 1996.

Broadband services currently remain largely a privilege of urban areas, and are available to less than five percent of the nation, according to statements from House Telecommunications, Trade and Consumer Protection Subcommittee Chairman W.J. "Billy" Tauzin, R-La., and Senate Communications Subcommittee Chairman Conrad Burns, R-Mont.

Reported by Newsbytes.com, <http://www.newsbytes.com> .

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PR Newswire April 26, 2000, Wednesday

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April 26, 2000, Wednesday

**SECTION:** FINANCIAL NEWS**DISTRIBUTION:** TO BUSINESS, EDUCATION AND TECHNOLOGY EDITORS**LENGTH:** 617 words**HEADLINE:** MCI WorldCom's Wireless Internet to Help Bridge the **Digital Divide**;  
Commits \$2 Million to Offer High-Speed Wireless Internet Service To Schools and Libraries in Four Rural Communities**DATELINE:** WHITEVILLE, N.C., April 26**BODY:**

In an effort to help bridge the "digital divide," MCI WorldCom today announced a \$2 million "wireless Internet" program to offer schools, libraries and community centers in four southern rural communities high-speed wireless Internet connectivity. At a meeting with community leaders in Whiteville, N.C., President Clinton and **North Carolina** Governor Jim Hunt applauded MCI WorldCom's leadership in using advanced technology to further education by bringing broadband services to students and communities left untouched by the Internet revolution.

Using a cutting-edge technology known as Multichannel Multipoint Distribution Service (MMDS), MCI WorldCom will offer high-speed wireless Internet connectivity to Raleigh, N.C., Houma, La., Dothan, Ala., and Hattiesburg, Miss. MCI WorldCom will deliver broadband services to several schools, libraries and/or community technology centers in each area beginning with the August 2000/2001 school year.

"Our growing wireless assets enable teachers and students in these communities to harness the enormous educational power of the Internet," said John Stupka, president of MCI WorldCom Wireless Solutions. "Every student across America, from urban to rural and everywhere in between, deserve access to everything the Internet has to offer, and MCI WorldCom is committed to delivering it - nationwide."

Today's initiative expands MCI WorldCom's commitment to support education using cutting-edge technology. The MCI WorldCom Foundation's Marco Polo program features a comprehensive teacher training kit and is available on-line at no cost through the program's website ([www.wcom.com/marcopolo](http://www.wcom.com/marcopolo)). In December 1999, MCI WorldCom announced an Internet training initiative for all teachers in seven Mississippi Delta states.

MCI WorldCom currently uses its existing MMDS wireless technology in states such as Mississippi and Florida to offer distance-learning and educational programming to schools and libraries in rural communities.

"One of the wonderful advantages of our wireless technology is its ability to reach across wide geographic areas and deliver high-speed Internet access," Stupka said. "We're excited to be a part of the drive to close the gap between Internet haves and have-nots and are committed to do all we can for educators and students."

In addition to the four rural markets announced today, MCI WorldCom is conducting MMDS service trials with schools, consumers and business customers in Jackson, Miss., Baton Rouge, La., and Memphis, Tenn. Technology trials in the Dallas / Ft. Worth area and Boston recently began.

With the merger of MCI WorldCom and Sprint, the combined company will offer its broadband "fixed wireless" service to customers in more than 100 markets by late 2001. It is the combination of MCI WorldCom and Sprint MMDS assets that will allow accelerated deployment of wireless broadband services to rural areas and markets traditionally underserved by the cable and local phone companies.

MCI WorldCom (Nasdaq: WCOM) is a global leader in "all-distance" communications services with operations in more than 65 countries. Revenues in 1999 were \$37 billion, with more than \$15 billion from high-growth data, Internet and international services. MCI WorldCom and Sprint have announced a merger agreement, which the companies expect to close in the second half of 2000 after regulatory and shareholder approvals. For more information go to <http://www.wcom.com>.

**SOURCE** MCI WorldCom**CONTACT:** Joe Paluska of MCI WorldCom, 800.644.NEWS or [joseph.paluska@wcom.com](mailto:joseph.paluska@wcom.com)**URL:** <http://www.prnewswire.com>



## **Executive Summary: The eEurope Initiative**

### **Goal of eEurope is Increased Digital Connectivity in Europe**

The eEurope initiative is the European Commission's ten-prong policy to increase the use of electronic commerce by businesses and citizens in Europe. The initiative has three key objectives: 1. Bringing every citizen, home, school, business and government office online and into the digital age. 2. Creating a digitally literate Europe, supported by an entrepreneurial culture ready to finance and develop new ideas. 3. Ensuring that the process is socially inclusive, builds consumer trust, and strengthens social cohesion.

### **eEurope: More Opportunity for US Industry in the European Market**

The eEurope initiative reiterates the EU's commitment to an approach to electronic commerce that is similar to the US Framework for Global Electronic Commerce. The initiative, appropriately implemented, could increase business opportunities for US industry in the European market as well as create further impetus for more cooperation between the US and European governments to collaborate on public policy issues.

The initiative should lead to further liberalization of the telecommunications sector to stimulate investment in infrastructure, the growth of electronic commerce and use of the Internet, to attract capital, and to promote an entrepreneurial culture. It should also lead to political recognition that the Internet is global and that the dynamism of technology and markets makes intrusive, top-down regulation irrelevant at best.

### **eEurope: A Continued Need to Collaborate to Prevent the Development of Exclusionary Regional Approaches or Other Market Barriers**

In the increasingly globalized environment for electronic commerce, governments must guard against policies that result in the creation of new market barriers. The US and EU need to work together on e-commerce policy issues that transcend national or regional boundaries.

The initiative increases the potential for European non-inclusive and non-interoperable standards setting, market entry barriers, and national treatment or favorable treatment given to European industry and preferred standards. There is also a potential for market entry barriers driven by concerns about the impact of e-commerce on achieving European social goals.

## The eEurope Initiative

In late 1999, the European Commission launched its "eEurope" initiative to increase the use of electronic commerce by businesses and citizens throughout Europe. The initiative has three key objectives:

1. Bringing every citizen, home and school, business and government administration online and into the digital age.
2. Creating a digitally literate Europe, supported by an entrepreneurial culture ready to finance and develop new ideas.
3. Ensuring that the process is socially inclusive, builds consumer trust, and strengthens social cohesion.

In March, European Commission President Romano Prodi said "what Europe needs now is a firm commitment to the objectives of eEurope at the highest political level." Achieving the goals set out by Mr. Prodi will depend largely on Member State cooperation. Although the Commission does not have formal authority in many of the areas where action will be required to meet the goals of eEurope, it has received full political support for those initiatives by both the European Council and the European Parliament.

### General Opportunities for US Industry

Several goals of the eEurope initiative, appropriately implemented, could increase opportunities for US industry in Europe.

- **Further liberalization of the telecommunications sector to stimulate the growth of electronic commerce and usage of the Internet, to attract capital, and to promote an entrepreneurial culture.**

The eEurope initiative may increase high-level pressure to move forward more quickly with telecom liberalization efforts. US businesses have benefitted from increased competition in the European market, and further telecom sector liberalization should provide new opportunities for US telecom equipment and service providers. It should also reduce bureaucratic roadblocks for US companies already in European markets, create additional momentum towards the opening up of the local access bottleneck, and lead to real access to network infrastructure necessary for competing service providers to provide service at lower costs.

- **Political recognition that the Internet is global and that the dynamism of technology and markets makes intrusive, top-down regulation irrelevant at best.**



At least rhetorically, the eEurope initiative embraces an approach to the role of government in the digital environment that is more in line with the approach adopted in the United States. The initiative explicitly recognizes the need to think globally as Europe develops its framework and to include all stakeholders in the decision-making process. The initiative contemplates more reliance on self-regulatory and soft law approaches (called “co-regulation”) more suited to the fast-paced information and telecommunications technology environment.

#### **Accelerated Electronic Commerce.**

In Europe today, only 12% of households are connected to the Internet. To address these low Internet penetration rates, the eEurope initiative focuses on the need to implement pending European electronic commerce legislation in order to establish legal certainty on important issues such as electronic signatures, jurisdiction and Internet taxation. The European Parliament, in recognition of the importance of achieving the eEurope objectives, has accelerated its legislative process. Increased harmonization across Europe and a more transparent regulatory framework would likely create a favorable environment for the growth of electronic commerce, attract investment, stimulate demand and promote technological and service innovation.

### **Market Entry Barriers and Other Potential Threats for US Industry**

While the eEurope initiative could increase opportunities for US businesses, inappropriate implementation could raise entry barriers or create additional regulatory roadblocks for non-European players. US businesses are especially concerned that the standards-setting process could be manipulated to achieve European industrial policy goals at the expense of non-European businesses.

#### **Potential for the creation of non-inclusive and non-interoperable standards, market entry barriers, national treatment or favorable treatment for European industry and preferred standards.**

The eEurope initiative emphasizes the development of European standards in various industry sectors. The Europeans successfully implemented a single European standard (GSM) for second-generation wireless communications technology in the mobile communications sector. Adoption of the GSM standard facilitated the rapid growth of wireless telecommunications in Europe that, in turn, made European technology more attractive in non-European markets. The US, in contrast, has relied on a market driven approach to standards setting. US tolerance of competing standards ultimately produced superior technology; but mobile telephony has grown more slowly in the US market, and US equipment and service providers have had more difficulty entering developing markets. US businesses are concerned that the Europeans may use the eEurope

initiative's focus on standards setting to leverage the existing European lead in the mobile telephony market into a similar advantage in the emerging market for wireless Internet access.

**Potential for Europe to develop inflexible or lowest common denominator approaches to the regulation of electronic commerce, or to lock in to approaches that are inconsistent with evolving global approaches.**

US businesses express some concern that the European drive towards harmonization of Member States' regulations and legislation may lead to a political settlement of some lower or lowest common denominator target. Most Member States are developing national initiatives in advance or in parallel with eEurope. Electronic commerce readiness, and, as a result, the sophistication of these national initiatives, differs significantly among EU Member States. Even more variety exists when prospective Member States in Eastern Europe are considered.

**Potential market entry barriers driven by social concerns about the impact of electronic commerce on social goals.**

There is some concern that a pan-European emphasis on electronic commerce could create a strong demand for regulations or curbs on digital technology driven by privacy, culture, or language preservation concerns.

## **Analysis: Opportunities and Potential Barriers for US Industry by Area**

To achieve the objectives of the eEurope Initiative, the European Commission has identified ten areas for priority action, ranging from education to transport and from healthcare to access for the disabled. The plan for each priority area establishes target time lines for specific actions to be taken by EU institutions and Member States.

**1. European youth into the digital age: *bring Internet and multimedia tools to schools and adapt education to the digital age.***

This action area could increase opportunities for US industry to provide services to European schools as well as multi-media educational tools, learning technologies, and content. Although many issues remain unresolved, it is possible that national or regional telecom providers might receive favorable regulatory treatment, exclusive contracts, etc., in exchange for wiring schools. Other issues that could impact opportunities for US business include the availability of funding for this initiative and other budgetary issues, resources for effective teacher training and support services, policies on blocking and screening inappropriate content, etc. Ultimately increasing the use of digital technology in the European educational system will lead to a more highly skilled workforce and create a greater demand for digital products and services.



In the United States, policymakers have devoted considerable attention to ensuring that the nation's youth have access to the Internet and are developing the skills needed for success in the information age. In the Telecommunications Act of 1996, Congress directed that schools and libraries be permitted to obtain telecommunications services, Internet access, and classroom connections at a discount. The Universal Service Administrative Company's (USAC) Schools and Libraries Division will begin its third year of administering the education or "e-rate" support system. By the end of 1999, 95% of public schools, 63% of classrooms, and 93% of public libraries had been connected to the Internet. The Department of Education funds professional development for teachers to train them to use information technology in the classroom.

## **2. Cheaper Internet Access: *increase competition to reduce prices and increase choice.***

The link between inexpensive, flat rate Internet access pricing plans and rapid growth of the Internet is undeniable. Cheaper Internet access prices, flat-rate fixed line Internet access pricing, lower leased line tariffs and greater transparency in access pricing will likely increase Internet usage in Europe, and these changes have long been a top priority for US Internet Service Providers operating in Europe. The proposed reduction of licensing requirements should also help US competitors as long as regulation of the dominant national incumbents is not eliminated prematurely. In addition, national regulators must continue to have and exercise authority to prevent dominant carriers from exploiting their position to the detriment of new carriers and service providers. The plan could lead to lower prices for leased lines, which remain very high in many Member States. The move to promote multimedia wireless systems could also lead to the allocation of significant spectrum for mobile broadband. In this area, concerns remain that the Europeans may dictate, directly or indirectly, the technology to be used. The European Commission has decided to set up a Spectrum Experts Group to implement effective decisions on radio spectrum related issues. It is critical that the Spectrum Experts Group operate in an open and transparent manner.

In the United States, local telephone charges are generally not metered and virtually all ISPs provide flat rate access to the Internet. In addition, there have never been licensing requirements for ISPs. Many believe that competition among service providers has caused Internet access prices to fall, particularly in urban areas. Urban Internet household connectivity rates were 27.5 % in 1998 which represents a 38% increase over the previous according to Commerce Department figures. Almost 2 in 3 Americans over the age of 12 have access to the Internet and half of those go online every day, according to AC Nielsen. Regular users are likely to spend at least an hour online at a time. Nearly half of US Internet users have purchased a product or service online.

## **3. Accelerating Electronic Commerce: *speed up implementation of the legal framework and expand use of e-procurement.***



Speeding up the implementation of a European regulatory framework for electronic commerce, as well as increased reliance on non-regulatory, industry-led approaches to electronic commerce regulation, could be very positive developments for US industry participants in the European telecommunications and Internet market. European Directives on copyright and related rights, distance selling of financial services, and regulations on jurisdiction, enforcement of judgements, and a dual-use export control regime are all moving forward quickly. A Directive on authentication/digital signatures is now in the implementation phase.

The European Parliament's recent approval of the Legal Framework for Electronic Commerce Directive clears the way for this important measure to become law within the next 18 months. The Lisbon Summit identified this Directive as a top priority in preparing Europe's transition to a knowledge-based economy and boosting competitiveness. The Directive will ensure that Information Society services benefit from the European Internal Market principles of free movement of services and freedom of establishment and can be provided throughout the European Union by any company under the rules of its country of origin. It establishes specific harmonized rules only where strictly necessary to ensure that businesses and citizens can supply and receive Information Society services throughout the EU, irrespective of national borders. In other areas the Directive builds on existing EU instruments that provide for harmonization or mutual recognition of national laws.

A clear and predictable legal framework for electronic commerce in Europe could create a favorable environment for electronic commerce and speed its uptake by European businesses and citizens as well as promote greater business, investor and consumer confidence. The eEurope Initiative appears to place great emphasis on the development of "co-regulation," a term that remains undefined. While industry-developed codes of conduct could reduce the need for inflexible or cumbersome regulation, US industry is concerned that "co-regulation" could entail intrusive, government-mandated approaches. Any approach must take into account the "borderless" nature of the Internet, and the Europeans should be encouraged to support the development of new, online alternative dispute resolution mechanisms to facilitate the development of global electronic commerce.

In the US, most commercial law is developed at the State level for the most part. In late 1999, the National Conference of Commissioners of Uniform State Law adopted a Uniform Electronic Transactions Act, which sets forth a minimalist, predictable and transparent approach to electronic transactions. UETA has already been adopted in 11 states, and has been introduced in 16 additional states. In order to eliminate uncertainty about the legal status of electronic transactions during the period required for all 50 states to adopt UETA, the Administrator has supported federal legislation to ensure the legal enforceability of contracts and signatures in electronic form. Finally, in December the Administration launched an initiative to identify and eliminate federal, state and local rules that create barriers to electronic commerce.



**4. Fast Internet for researchers and students: *ensure high-speed access to Internet thereby facilitating cooperative learning and working.***

The goals of upgrading infrastructure, developing high-speed networks, and ensuring the accessibility and affordability of both training and infrastructure (including costs of web access) to implement this action area could create opportunities for US industry.

In the United States, the public and private sectors have each played a major role in delivering high-speed access to the Internet. Through the e-rate program, schools and libraries receive discounts on telecom services, including advanced services. As of 1999, 63% of public schools accessed the Internet through dedicated lines, many of them high-speed connections (viz., at least 200 kilobits per second). Service providers have been increasingly marketing digital subscriber line (DSL), cable modems, and other high-speed offerings to businesses and even residences. Programs by the Departments of Commerce, Agriculture, Education, and Health & Human Services can be used to support access to advanced services by Americans, and the Administration has recently proposed initiatives that would accelerate deployment of broadband services, particularly in rural areas where competitive forces may be less effective. Finally, the National Science Foundation is devoting considerable resources to research, development, and testing of advanced networked communications technology.

**5. Smart cards for electronic access: *facilitate the establishment of pan-European infrastructure to maximize uptake.***

US industry is especially concerned about the eEurope Initiative goal of establishing a European-wide standard for smart cards, the credit-card-like devices that can be inserted into wireless handsets, computers, or other products to perform functions such as bill-paying over the Internet. There are currently no internationally accepted industry standards for smart cards. Various types of smart cards are being developed based on different software and hardware technology. No one knows yet which smart-card technology will be most efficient or innovative. Some industry players argue that there are already better, software-based alternatives to smart cards.

The European Commission held a "Smart-Card Summit" in Portugal in April that produced a Smart Card Charter. The Charter establishes a number of targets (social, technical and procedural), and calls for the formation of a task force to develop core specifications for interoperability and security by the end of this year. The goal of the Smart Card Charter is to create a single smart card that is usable in any EU Member State. Although the Lisbon Summit was not open to US industry, going forward the process is supposed to be open to all interested parties, including US firms.

The European Commission's smart card initiative raises the fundamental question of how smart-card standards should be developed and who should be responsible for developing them.



The US favors an industry-led, market driven approach to standards setting in general, which has led to the phenomenal growth of the Internet to date. In the past, Europeans have been comfortable with government participation in standards development, including governmentally mandated regional standards for critical technology. Europe is a critical market and actions by the European Commission will have important repercussions worldwide. The establishment of a government mandated regional standard for Europe -- or even more subtle EU support for a particular standard -- could interfere with, and possibly stifle, the development of efficient and innovative market solutions. European regulators can best advance the deployment of information technology by supporting, rather than replacing, the work of private sector standards bodies in which experts from all regions participate.

In the context of smart cards, policy makers must also address other issues including privacy protection, fraud prevention, and liability for loss, theft, and misuse.

The USG strongly believes that in light of tremendous changes underway affecting electronic commerce, standards-setting activities must be guided by the requirements and processes of the marketplace, and not by governments. Governments should refrain from determining technical regulations and should rely, instead, on standards, protocols, and implementations developed by voluntary, industry-led consensus-based organizations at both the national and international levels. NIST does provide support for industry-developed standards, including technical assistance. To encourage use of electronic payments, the Department of Treasury has focused on developing new applications that increase efficiencies in government payments, on pilot programs, and on creating economies of scale in electronic payment applications. However, Treasury avoids picking "winners and losers" in the technology marketplace, and instead uses off-the-shelf technology and shops as a vendor for technology with the lower cost and best performance.

**6. Risk capital for high-tech SMEs: *develop innovative approaches to maximize the availability of risk capital for high-tech SMEs. (Small and Medium Size Enterprises)***

Encouraging developments in financial markets that lead to greater availability of risk capital and seed capital should be a positive development for US industry. The barriers to start-ups in Europe, however, are not only related to lack of capital, but also to tax systems.

While the eEurope initiative does not call for a revision of tax regimes, its focus on attracting capital for high-tech SMEs may create more momentum towards tax reform in Europe.

In the US, information technology start-ups have access to significant risk and seed capital. We have focused on programs to help SMEs utilize information technology and participate in the growth of e-commerce. The Department of Commerce and the Small Business Administration have launched a number of major educational training initiatives in this area. In addition, the Administration has supported tax simplification, including simplification of state sales tax regimes.



**7. eParticipation for the disabled: *ensure that the development of the information society takes full account of the needs of disabled people.***

Ensuring access to affordable technologies by the disabled is part of the eEurope initiative's goal to make the digital revolution socially inclusive. US industries that cater to the special needs of the disabled community could benefit from the priority placed on this action area.

In the US, the 1996 Telecommunications Act requires telecom service providers to ensure that service is accessible to and usable by individuals with disabilities. The FCC enforces rules under the Americans with Disabilities Act (ADA), which mandates a nationwide system of telecommunications relay services (TRS). TRS permits people who are not deaf to talk to those with hearing disabilities, and vice versa. The FCC also ensures that manufacturers of phones, including cell phones, and sellers of telecommunications services make and sell their products that are usable by disabled individuals. Although no systematic data is available, there is evidence that the disabled community currently has relatively low levels of Internet access. In 1999-2000, the Commerce Department began to collect data on disabled access to PCs and the Internet.

**8. Healthcare online: *maximize the use of networking and smart technologies for health monitoring, information access, and healthcare.***

Consumer demand for better and more accessible healthcare information on-line, and an increasing focus on prevention, could increase demand for electronic healthcare related information, products, and services. Growth in this area could create more opportunities for US companies involved in the sale of healthcare products and services and the delivery of health care information online. Increased European reliance on the Internet delivery will inevitably raise difficult issues related to consumer protection and regulatory standards. In the US, for example, the sale of prescription drugs over the Internet has raised these issues. Standardization, including the development of health care smart cards, will require attention and careful monitoring to avoid the creation of market entry barriers. The need to take account of the needs of people with disabilities, privacy, liability and quality of service will also raise important policy and standards considerations.

Members of the US healthcare industry report concerns about European standards-setting activities. The policy challenge here is harmonizing clinical and technical standards in order to get the benefit of interoperability and efficiency while maintaining the flexibility to innovate. There are a large number of Federal initiatives underway to address the uneven distribution of healthcare resources and to improve access to healthcare using modern telecommunications technologies. Initiatives range from the HHS Health finder gateway, which directs consumers to quality health information on the Internet; to grants to improve access to quality health cares in



the home, and in rural and under-served communities. Under the 1996 Telecommunications Act, rural health care providers may purchase telecom services at discounted rates. USAC's Rural Health Care Division administers a discount program designed to assure that rural health care providers receive rates that are "reasonably comparable" to those offered in urban areas. The Technology Opportunities Program (formerly TIIAP) provides grants to health care providers and other nonprofit entities to expand access to information services and technologies.

**9. Intelligent transport: *safer, more efficient transport through the use of digital technologies.***

Intelligent transport services (ITS) are using new advanced communications and computing applications to make surface transportation safer, less costly and more efficient. The goal of deploying pan-European emergency services, promoting safe and efficient in-vehicle information and communication systems and telematics travel information should all create opportunity for US companies involved in the intelligent transport and emergency service areas.

In the US, there has been federal funding since 1991 for research, standards development and limited public sector deployments of infrastructures (mostly along the highways) to increase consumer choice, information and safety. By comparison, the Europeans and Japanese have invested more public dollars in creating this basic ITS infrastructure. The private sector in the US is playing an increasingly important role by building on the public infrastructure to provide value-added services known generally as telematics for safety, efficiency and convenience to the traveling public. The National Mayday Readiness Initiative (NMRI), for example, is a public-private effort to encourage seamless integration between private Mayday service providers and the nation's public 911, EMS, and emergency response networks, and to integrate Mayday and Automatic Collision Notification into the emergency medical system. Concerns regarding liability and associated legal issues appear to be complicating the development and introduction of anti-collision devices on vehicle fleets in the United States but such devices are currently being introduced into the European and Japanese consumer markets. The EU is also requiring on-board recorders for driver service hours and accident reconstruction commercial vehicles (trucks) where there remains fierce resistance to such requirements in the US.

**10. Government online: *ensure that citizens have easy access to government information, services, and decision-making procedures on-line.***

Greater electronic access to public information on-line and the increased ability to file government documents electronically should speed up regulatory and legal processes. US industry may find opportunities related to security and authentication needs for online delivery of government services in Europe. Increased use of the Internet to access public information will also lead a greater need for widespread advanced infrastructure and services.



A major goal set forth in the Administration's National Information Infrastructure (NII) vision statement ("Agenda for Action") is to provide (electronic) access to government information. Since its inception in 1995, the Vice President's National Performance Review (NPR) initiative has sought as one of its principal objectives to implement a more digital government. The electronic commerce plan for this year includes an "e-government" initiative, and the President's Management Council has embraced digital government as one of its major priorities in 2000. The Federal Government is currently seeking ways to improve accessibility of its electronic and information technology to the disabled community pursuant to Section 508 of the Rehabilitation Act.

## **11. Management of the Internet Domain Name System (DNS)**

On April 4, as a component of the eEurope Initiative, the European Commission issued a communication to the European Council and Parliament titled "*The Organization and Management of the Internet.*" The document almost exclusively outlines the European Commission's views, positions and recommendations on Internet domain name system (DNS) issues and the activities of the Internet Corporation for Assigned Names and Numbers (ICANN). ICANN is the new, not-for-profit corporation established by the private sector to perform DNS management functions previously performed under US government contracts.

The paper is clearly written to a European audience and takes great lengths to note areas in which the Commission believes that the United States retains too much influence over the DNS and the ICANN process. Overall, however, the paper represents significant formal, albeit guarded, support for the ICANN process, noting that it is currently the "best available solution." (It should be noted that some EU Member States, especially France, which will take over the EU Presidency in July, strongly prefer a larger, more formal role for governments in DNS management or, in the alternative, management of the DNS by an established treaty organization.) The paper describes a number of DNS-related activities that the Commission intends to promote, including the further participation of Europeans in the ICANN process (including the At-Large membership and in ICANN staffing), the development of recommendations for protecting personal data collected during the domain name registration process, the adoption of country code top level domain (ccTLD) best practices recommended by the ICANN Governmental Advisory Committee (GAC), and the adoption of a .EU top level domain (TLD), among others. Although the United States does not share the Commission's views on a number of DNS issues, none appear to represent significant impediments to the DNS transition process as outlined by the Clinton Administration in 1998. The US has taken no position on the proposed creation of a new top level domain for the European Union (.eu), which has captured some press attention. This is a matter between the Commission and the EU Member States, and so long the domain complies with all relevant ICANN rules and processes, the US has no objections.



## **eEurope Issues and International Fora**

Many aspects of the eEurope initiative are currently being addressed in international, regional and national governmental and non-governmental fora as well as in bilateral and multilateral government to government consultations.

**ITU:** The International Telecommunication Union is a UN specialized agency within which governments and the private sector coordinate global telecom networks and services. The ITU's Development Sector focuses on assisting developing and least developed countries. Through the work of its Study Groups, the Development sector is involved in Internet infrastructure deployment initiatives and e-commerce for development activities.

The ITU-D (or BDT) has dealt with telemedicine (TM) issues since the first World Telecommunications Development Conference in 1994, and has initiated several pilot projects to ensure that the benefits of TM are available to developing and least developed countries. Although the ITU has no formal program on "distance-learning," ITU-D works with many countries to foster innovative use of telecommunications applications for increased capacity-development and in order to provide education to those that may not have easy access to it.

The ITU-D also has promoted the concept of liberalization of the telecommunications infrastructure, establishment of an independent regulatory body, and principles articulated in the World Trade Organization's (WTO) Basic Agreement on Telecommunications and the Reference Paper. As a result, the ITU-D promotes access to the basic infrastructure that could potentially lead to the development of higher uptake of electronic commerce.

The ITU Electronic Commerce for Developing Countries (EC-DC) Project addresses some of the challenges and opportunities faced by developing countries in the application of new technologies, the convergence of network services and the globalization of economies. In collaboration with partners from both developed and developing countries, from the public and private sectors, the ITU is assisting developing countries to acquire and benefit from electronic commerce technologies by building the soft and hard infrastructure and services necessary to provide secure electronic payment, transaction and trust services to multiple independent businesses tailored to the needs and objectives of the community, region or country.

**WTO:** In May 1998 during the second WTO Ministerial (Geneva), Ministers agreed to establish a work program to examine all trade-related issues relating to global electronic commerce. The Declaration called for involving the relevant World Trade Organization ("WTO") bodies, with a mandate to also take into account the economic, financial, and development needs of developing countries, and to recognize that work is also being undertaken in other international fora. The May 1998 Ministerial Declaration also called on countries to continue the practice of not imposing customs duties on electronic transmissions. The e-commerce work program is popular, and likely to be continued.



**OECD:** The Organization for Economic Cooperation and Development (OECD) is comprised of the 29 largest economies in the world and serves as a valuable forum in which to discuss, develop, and perfect economic and social policy. In October 1998, OECD Trade Ministers adopted an OECD Action Plan for Electronic Commerce that places high priority for work on e-commerce issues within the organization. The Action Plan is consistent with the Administration's *Framework for Global Electronic Commerce* in its approach and is organized along the following thematic lines: building trust for consumers, establishing ground rules for the digital marketplace, enhancing the information infrastructure for electronic commerce, and maximizing the benefits of electronic commerce. The OECD's Committee for Information, Computer and Communications Policy (ICCP), is tasked with progressing the Action Plan and has undertaken work on various critical e-commerce issues such as authentication, privacy, consumer protection, telecommunications infrastructure development, and "digital divide" issues, among others. In the context of the US/EU relationship, the OECD presents a valuable opportunity to exchange perspectives and develop broader international consensus on electronic commerce approaches, as well as debate the impact of national electronic commerce policies on the international community.

**APEC:** Among the APEC Members, the United States has signed E-Commerce Joint Statements with Japan, Korea, and Australia. APEC created an Electronic Commerce Steering Group in February 1999, to ensure continued coordination of APEC e-commerce activities and to pursue the work program set out in the APEC Blueprint for Action on Electronic Commerce. APEC is developing "E-Commerce Readiness Indicators" designed to measure infrastructure, distribution, and legal/policy capabilities to support the growth of E-Commerce in each economy.

**CITEL:** The Inter-American Telecommunications Commission (CITEL) operates under the umbrella of the Organization of American States (OAS). CITEL is the primary inter-governmental body in the Americas for discussing and taking action on current telecommunications standards and regulatory issues. CITEL has conducted an informal survey on the introduction of electronic commerce in the Americas region. The results of this survey will be released at the upcoming PCC.I meeting in June.

### **eEurope: Next Steps for US Action**

In the upcoming months a subgroup of the interagency Electronic Commerce Working Group will more thoroughly assess the impact of the eEurope Initiative on US industry by sector and solicit additional industry views on the plan. Administration experts will continue ongoing efforts to resolve concerns about the specific issues raised directly or indirectly by the eEurope initiative, e.g. taxation, authentication, consumer protection, privacy, legal framework, ADR, fraud, etc. It will be especially important to work closely with France during its upcoming EU Presidency. Additional next steps, among others, could include convening a US-EU dialogue on the US E-



Society and the eEurope initiatives, targeted visits by USG officials, seminars or information exchanges on specific issues/areas such as e-government, and a major US/EU information conference on information society issues that include eEurope.

*May 12, 2000*

*Contact: Office of International Affairs, NTIA/DOC*

*Becky Burr/Ken Schagrin/Christina Speck (202) 482-1440*



## HOW THE DIGITAL DIVIDE TAX CUTS WORK

The digital divide tax cuts cost \$107 million in FY 2001, \$1.2 billion over 5 years, and \$2.1 billion over 10 years. We do not have a breakdown by tax cut.

### Extend and Expand the Enhanced Deduction for Corporate Donations of Computers

#### Current law

- Corporations that donate computers to elementary or secondary can take an “enhanced deduction.” This expires after December 31, 2000.
- Normal donations would just allow you to deduct the cost of the item you were donating. An enhanced deduction lets you take more than that. Specifically you could take (1) cost + one-half of profits or (2) twice cost, whatever is *lower*.
  - Example 1. You donate a computer that costs \$500 to produce and is normally sold for \$900. Under basic law, you could only deduct \$500 for donating this computer. Under the enhanced deduction, you could deduct \$700 – the \$500 cost plus half of the \$400 profit.
  - Example 2. You donate a computer that costs \$500 to produce and is normally sold for \$1,500. Under basic law, you could only deduct \$500 for donating this computer. Under the enhanced deduction, you could deduct \$1,000 – which is twice the cost.

#### Proposal

- Extend the “enhanced deduction” for donations to schools to June 30, 2004.
- Expand the deduction to cover donations to public libraries and community technology centers located in a designated Empowerment Zone, Enterprise Community, or in a Census tract with a poverty rate of 20 percent or more.

### Encourage Sponsorship of Qualified Zone Academies

#### Current law

- No special provisions – companies can take the normal charitable deduction for contributions to schools.

#### Proposal

- Would provide a tax credit equal to 50 percent of the corporate sponsorships (i.e., donations) to qualified zone academies, public libraries, or community technology centers located in (or adjacent to) a designated empowerment zone or enterprise community.
- These are allocable credits. Credits for \$16 million in sponsorship donations (or \$8 million in tax credits) would be given to the local government agency with responsibility for implementing the strategic plan for the Empowerment Zones (this would go the 31 existing Zones and the 10 proposed new zones). The board would then allocate these credits to sponsors. The more than 80 Enterprise Zones would each get credits for \$4 million in donations (or \$2 million in tax credits).



## Employer Provided Education Programs in Workplace Literacy and Basic Computer Skills

### Current law

- Under a section 127 plan, educational expenses other than for graduate education are excluded from an employee's gross income for income and employment tax purposes, up to \$5,250 per year.
- This is not true, however, if the education relates to minimal educational requirements or enables an employee to begin working in a new trade or business.

### Proposal

- Employers would be allowed to take a 20 percent tax credit on up to \$5,250 in educational expenses for eligible education for eligible employees.
- Eligible education includes workplace literacy, basic education, English literacy, and basic computer training programs.
- Eligible employees are generally those with less than a high school education.
- Courses would be given by the employer and approved by the State Adult Education Authority or given by local education agencies.



Clifton G. Kellogg  
04/28/2000 01:41:27 AM

Record Type: Record

To: Jamie H. Ginott/OPD/EOP@EOP, David Tseng/OPD/EOP@EOP, Elliott H. Baer/OPD/EOP@EOP, Melissa G. Green/OPD/EOP@EOP

cc: Sarah Rosen Wartell/OPD/EOP@EOP

Subject: Inter-agency process on Fed comment

Gene --

In my email with suggested talking points with Gary Gensler on the Fed's proposed capital deduction rule for merchant banking and SBICs, I mentioned that I was confirming with Counsel whether there were any legal/policy concerns with the NEC arranging an Admin comment on a Fed proposed rule.

Counsel's office and OMB confirm there are no legal or written policy barriers to the WH organizing an inter-agency comment process. I recommend you proceed to call Gensler, with the attached talking points.

However, on Counsel's advice, we should consider the potential appearance issues of the WH leading this comment process. We could, instead, ask OMB to convene and lead the policy process, with NEC participating. This should not slow down your suggesting to Gensler that we'd like an Admin discussion on the Fed proposal, but might affect the form of those conversations. What are your thoughts?

[Note: SBA is assembling information concerning the differences b/w merchant banking and SBICs' investments that we will share with you when it is in shape.]

Talking Points w/ Gensler (repeated from old email):

- SBA has brought to my attention their concerns over the Fed's proposed rule on merchant banking under Gramm-Leach-Bliley as it affects SBICs.
- As you know, SBICs and the SBIC structure is a centerpiece of the Administration's New Markets Initiative for the APIC and NMVC programs.
- I understand that the rule deals with the regulatory capital required for merchant banking and for SBICs. However, I'm concerned about 2 possible outcomes: (1) to the extent this is a disincentive for banks' participation in SBICs, their SBIC activity will decrease, either currently or from what it might have been, and (2) that, by the same logic, even higher capital deductions may be placed on bank's investments in APICs and NMVCs (if enacted) or other community development investments.
- There are legitimately competing policy considerations here. The Fed's proposal says they consulted with Treasury in certain aspect of this proposal, however, I think there are some issues that may not have factored into the Fed's deliberations.
- SBA has asked us to work with them to develop a coordinated inter-agency policy view on this rule, and perhaps an Administration comment on the rule through interagency clearance.
- SBA thinks there are some important empirical and policy questions, such as:

*CU*  
*OK. still need*  
*a little more*  
*brief from you.*  
*Can you see an exact draft*  
*of Merchant Banking*  
*+ how SBA*  
*will be*  
*helpful*  
*6/5*  
*4/29/00*

1. How does merchant banking compare with SBIC's investments practices (size and type of firm, type of investment)?
2. What is the historical financial performance of banks' investments in SBICs?
3. What is the actual internal practice of banks in managing their risk exposure to SBIC investments?

- *ostoms*  
I'd like the NEC to coordinate a policy discussion on these questions and a possible Administration comment on the Fed's proposed rule. I propose that Sarah and Cliff convene the right parties at the staff level to frame these questions and develop policy recommendations.

#### Background:

The rule has two parts: The first part (joint Treasury/Fed) establishes how holding companies may get into newly authorized merchant banking powers, and sets caps for the maximum amount of capital in merchant banking. The second part (Fed only, though Treasury consulted) requires a 50% deduction of regulatory capital for the newly authorized merchant banking activities, Reg K (Edge Act) activity, SBICs and "5% investments" that allow a bank to hold up to 5% of voting shares in other non-financial companies. Currently, regulators require bank holding companies to take an 8% capital deduction on these investments, so this change will increase the regulatory capital that holding companies must have to meet capital adequacy standards, effectively increasing the cost to the banks of these investments. Comments are due on the Fed rule by May 22.

The logic *with regard to merchant banking* was to discourage banks from rapidly and imprudently putting a lot of holding company capital into merchant banking, until the industry and regulators have more experience in this area. *With regard to SBICs*, the Fed (with a lot of encouragement) felt that SBICs did (or could) do similar investing, and the rule could create a "loophole" for banks to do some forms of merchant banking through SBICs.

Treasury and the Fed interviewed a few banks and found that they voluntarily set aside 25% to 100% of capital for their investment in SBICs when determining capital adequacy. Therefore, Treasury argues that this is not a dramatic change, and, moreover, that banks currently have sufficient capital that none will need to raise any more to remain in compliance.

SBA contends that SBIC investing is quite different than merchant banking, and that the financial performance of bank-owned SBICs does not justify this change in capital treatment.

Cliff



May 16, 2000

MEMORANDUM FOR GENE SPERLING

FROM: TOM KALIL

RE: NEXT STEPS ON DIGITAL DIVIDE

Good  
Wiring  
GS 5/17/00

**I. Disabilities event**

1. Identify possible public and private sector deliverables. Examples:
  - a. Commitments by private sector to adopt the Web Accessibility Initiative standards -- which has developed standards for Web content, Web browsers, and Web authoring tools
  - b. Commitments by private sector to increase their resources to ensuring that their products are designed to be accessible (e.g. cell phone/hearing aid compatibility, personal digital assistants, digital TV)
  - c. Support for second phase of Web Accessibility Initiative
2. Meeting with disabilities community to generate ideas for potential deliverables
3. Meeting with private sector and groups of companies that are employers of persons with disabilities
4. Generate venue and event options:
  - Technology demo
  - Roundtable with high-tech CEOs, disabilities community, major employers of persons with disabilities
  - Traditional speaking program

5. Lock in date for July

**II. Follow-up on Digital Divide for remainder of 2000**

1. Continue to make Digital Divide initiatives a priority in appropriations process
  - Include in SAPs
  - GS calls to key appropriators - also look for opportunities to address the House or Senate Democratic Caucus or Congressional Black Caucus, Congressional Hispanic Caucus

- Kalil calls at staff level
- 2. Digital divide report on company commitments
  - Need sponsor
- 3. Develop options for digital divide tax incentives
  - Kalil to rewrite memo based on GS comments
- 4. Public Service Announcement campaign
  - Kalil to talk to Kaiser re: time-line for release of PSAs
  - Media surrounding release of PSAs (work with Patrick)
- 5. Seek to advance the debate on the "content" dimension of the digital divide
  - Focus on a few applications that would promote "digital opportunity" (e.g. adult literacy, assistance for micro-enterprises)
  - "Notice of inquiry" on the content issue
  - Discussions with private sector, foundations, non-profits
- 6. Outreach to mayors to determine level of interest in "Connected Communities" idea
- 7. Sperling/Kalil op-ed or article on digital divide
- 8. Daley events
  - Daley is committed to doing at least one event per month on digital divide
- 9. Digital divide report
  - Need to find out when Commerce is releasing next version of "Falling Through The Net."



May 6, 2000

MEMORANDUM FOR GENE SPERLING

FROM: TOM KALIL

RE: POSSIBLE "DIGITAL DIVIDE" TAX INCENTIVES

*TAU*  
*here's a plan*  
*will talk*  
*monday*  
*6/5/11/20*

**Summary:** This memo outlines some possible options for tax incentives that would help close the digital divide. I have not shown this to anyone else. If you think these are generally on the right track -- I would circulate this memo to OVP, OMB, Commerce, Treasury, and other interested agencies.

**I. Home Access**

- A. **Goal:** Encourage companies to provide computers and high-speed Internet access to all of their employees by making it a tax-free fringe benefit.
- B. **Pending legislation:** John Lewis and Jerry Weller have introduced H.R. 4274, the "Digital Divide Access to Technology Act of 2000." It would allow employers to provide home computers and Internet access to their employees without these benefits being treated as taxable income to the employee.

The DATA Act treats employer-provided Internet access and the first \$1,260 of the value of a computer and peripheral equipment (e.g., software and printers) as tax-free fringe benefits to the employee.

However, for the proposal to apply, employers must provide computers to substantially all employees working in the United States and employees can receive only one computer every 36 months.

Representative Jefferson has introduced legislation (Digital Divide Elimination Act of 2000 - H.R. 4061) which would provide a 50 percent credit for computer equipment up to \$500 for anyone who is eligible for the EITC.

**C. Design issues:**

- Explicitly include broadband Internet access as part of deduction
- Allow for arrangements in which company leases the computer rather than transferring ownership to the employee.
- Credit should be increased to up to \$60/month - to allow for both broadband Internet access plus PC rental.

**D. Pros**

*① Yes - with income limits. could be higher than Jefferson*

- Could encourage companies to start providing computer and Internet access as a fringe benefit -- could be linked to a Presidential challenge to companies to pledge to do this if the tax credit passed. Ford and Delta example shows that this could be a very powerful way to bridge the digital divide.
- Could encourage telecommuting - which can reduce pollution, congestion, and allow workers to spend more time with their families.
- Could allow companies to provide technology-based training so that workers can upgrade their skills.
- Government will save money if PC and Internet access is adopted more rapidly -- since this will allow more rapid transition to e-government and lower transaction costs.

#### E. Cons

- Some companies may be willing to do this any way (although not many companies have followed Ford and Delta).
- No income limits -- so may be subsidizing access for upper-middle class employees of companies like Intel (this does not apply to Jefferson approach).
- Could undermine the rationale for our proposal on the spending side.
- Doesn't help people who are self-employed.

**F. Recommendation:** I like the idea of doing something in the home access area.

#### II. Broadband Access

A. **Goal:** Encourage telecommunications companies to invest in high-speed networks in underserved urban and rural areas.

B. **Pending legislation:** Senators Rockefeller and Snowe introduced S. 2321 -- the "Rural Telecommunications Modernization Act of 2000" on March 29<sup>th</sup>. The legislation provides an investment tax credit of 10-15 percent (depending on the bandwidth of the facility) for companies that invest in broadband networks for rural subscribers.

Senator Moynihan is working on a broader bill that would also include incentives for investment in poor cities, and incentives for much higher bandwidths in all areas of the country (e.g. 20 megabits/second as opposed to today's DSL which provides 640 kilobits/second).

**Design issues** (see discussion in pros/cons)

2) Yes - I'm  
even willing to  
outbid  
them  
25  
mily C.  
sent.



D. **Pros:**

- There is some evidence to support the contention that companies are investing in urban areas before they invest in rural areas. President has explicitly said that rural areas should not have to wait for 10-20 years before getting broadband.
- U.S. would gain significant "first mover advantage" from being the first country to deploy broadband -- just as we gained significant competitive advantage from being the first country to deploy the "narrowband" Internet.
- Social benefits of broadband include distance learning, telemedicine, higher quality of life in rural areas.
- Tax incentives could distort marketplace less than efforts to finance broadband in rural areas through an expansion of the Universal Service Fund.

E. **Cons**

- Competitive Local Exchange Carriers (CLECs) are currently not profitable because they are investing heavily in new networks. They are concerned that the Incumbent Local Exchange Carriers will benefit disproportionately from an Investment Tax Credit.
- ILECs, which are neutral-to-hostile to the bill, are concerned that this bill would get in the way of their efforts to obtain regulatory relief from provisions of the Telecommunications Act. (This is not really a con from our perspective - but indicates the political obstacles to getting industry support).
- Could be very expensive (\$10 billion over 5 years).

F. **Recommendation:** I would not support anything that disproportionately benefited the ILECs, since it would run counter to our goal of promoting competition. I don't know whether this is possible to do -- especially since allowing CLECs to "lease" the tax credits could run counter to our efforts to crack down on tax shelters.

II. **Teacher training**

A. **Goal:** Encourage elementary and secondary teachers to purchase computers and get training in how to use technology in the classroom.

B. **Legislation:** Representative Stabenow has introduced two pieces of legislation (H.R. 1075 and 1076) which would:

← Provide a \$2,000 credit for teachers for purchases of computers, computer peripherals, and educational software.

Only make sense a teacher of issues

Yes

→ Increase the life-long learning tax credit to 50 percent for teachers than enroll in courses that train teachers to use technology and to integrate technology into the curriculum

C. **Design issues** (none)

D. **Pros:**

- Research shows that educational technology is not likely to improve student performance unless teachers are trained to use technology

E. **Cons**

- No evidence that teachers aren't purchasing PCs on their own
- Sending the signal that teachers are responsible for purchasing their own training

F. **Recommendation:** I would be more inclined to support the training tax credit -- as opposed to the computer tax credit. I think we need to talk with NEA and AFT about whether it is unreasonable to expect teachers to pay for their own training -- as this bill seems to suggest.

### III. Expansion of existing Administration proposals

A. **Goals:** Encourage companies to:

- Donate computers to schools, libraries, and community technology centers

- Sponsor "qualified zone academies" (schools, libraries, community technology centers) in Empowerment Zones or Enterprise Communities

- Provide education programs in workplace literacy and basic computer skills

B. **Pending legislation:** New Millenium Classrooms Act (which passed the Senate 96-2) as an amendment to the Affordable Education Act) is different from our proposal in several respects:

Computers can be up to three years old, as opposed to 2

A company that reacquires the computer can be eligible for the credit

[Credit may be different -- need to check with Treasury.]

C. **Design issues:**

5 Expt to  
All points  
directs not  
(ECs + EZs)

Is this goal  
(len?)  
2' on step 2



1. Should we agree to some of the provisions in the New Millenium Classrooms Act (will be controversial with some in the education community -- especially the 3-year provision).
2. Our workplace literacy and computer skills tax credit is generally limited to people who lack a high-school degree. If they have a high school degree, they have to fail a basic skills test. This may make sense for workplace literacy, but not for computer skills. We ought to consider expanding this along the following dimensions:

⑥  
Change  
make no sense  
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- Not limiting it just to people with below a high-school degree
- Making sure that temp agencies like Manpower can take advantage of it
- For low-income workers -- including not only basic computer skills but the kind of skills identified in the Conrad bill (e.g. computer programming)

3. The "qualified zone academy" credit is currently limited to Empowerment Zones and Enterprise Communities. This is because the credit is an "allocable" credit of 50 percent. If we wanted to expand this -- we would need to determine which political authority would be responsible for allocating the credit.

#### IV. Other ideas -- no pending legislation

1. Expanded R&D credit for R&D that would help close digital divide through:
  - Advanced educational technology and evaluation of technology in the classroom
  - Making IT products and services more accessible for people with disabilities

Credit could either be (a) expanded version of R&E credit; or (b) allocable credit awarded by competitive, merit-based process established by NSF and Department of Education.

2. Tax incentives for investments in "social venture capital" organizations that have as their primary mission creating digital opportunity for more Americans. Credits could be similar to NMVC. Social venture capital firms make investments on the basis of both social and private return on investment. Examples of investments could be development of Internet-based content aimed at the needs of low-income families.

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May 6, 2000

MEMORANDUM FOR GENE SPERLING

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Don't feel on  
 Dis-ability side



June 7, 2000

**MEMORANDUM FOR GENE SPERLING**

**FROM: DANIEL ROSEN**

**RE: TALKING POINTS TO COMPUTER INDUSTRY CEOs ON CHINA-PNTR**

---

**Summary:**

You will speak to computer industry CEOs at a press conference scheduled at the National Press Club 6/8 at 12:45. One issue we should use this opportunity to mention is the status of China/PNTR.

1. The strong vote by the House on China's PNTR status deserves to be followed by speedy action by the Senate to enact permanent Normal Trade Relations for China.
2. The information technology industry doesn't stand still while political processes play out. Our November 1999 bilateral agreement included zero-tariff commitments under the Information Technology Agreement of great importance to every one of your firms.
3. Additionally, service sectors commitments will revolutionize the way you are able to operate in China beyond those tariff borders inside the Chinese market.
4. And finally, the broader reforms involved in China's WTO accession will feed the basic economic development in China that opportunities for your firms arise from. But we must complete PNTR now, before our negotiating victories obsolesce, to capitalize on those opportunities.
5. Yesterday, the Finance Committee took the first steps in the Senate toward completing PNTR. The Committee [strongly] [unanimously] endorsed the Levin-Bereuter China PNTR Bill passed by the House. They recommended sending it forth without amendment, and voting on it unamended on the Senate Floor as quickly as possible.
6. Democrats Max Cleland of Georgia, Tim Johnson of South Dakota, Mary Landrieu of Louisiana, Joe Lieberman of Connecticut, and Blanche Lincoln of Arkansas joined most Finance Committee Democrats in submitting a letter to Senate GOP and Democratic leaders urging rapid voting on the Bill prior to July 4, without amendment.
7. The powerful support building in the Senate, like the House before, is due in no small part to the clear importance of the vote for the innovative firms and industries represented here today. Not only is your contribution to the American economy recognized, but the power of your products to empower the way people communicate must be understood by Members of Congress as well.

## **Specific Public and Private Sector initiatives for Developing Countries**

### **1. E-Commerce Readiness:**

- a. **Readiness assessment:** Building on tools like the Harvard-IBM guide, all developing countries would be offered an assessment of their current readiness to embrace e-commerce and the information society. These assessments would look at metrics such as availability and cost of information and communications products and services, the availability of training, and the extent to which the policy environment helps or hinders the growth of IT adoption. Completing this assessment could be a condition to participating in some of the initiatives described below.
- b. **Regulatory Training** G-8 Governments could commit to providing a series of regulator-to-regulator training seminars that would be conducted around the world, on a regional basis. This would provide expertise to enable developing countries to move toward transparent, pro-competitive regulatory regimes that will encourage private investment. This could build on existing efforts by the FCC and USTTI to provide regulators with education and training in policies that promote privatization, competition, and private sector investment.

### **2. Human Capital for the Information Age.**

- a. **Technical Training** – providing technical experts (people who can manage national and regional networks, provide staff for Internet Service Providers, Internet content providers and application developers. See: <http://www.isoc.org/inet98/ntw-report.shtml> for a model that could be scaled.

*Cost:* Assuming that travel and tuition for a one week workshop would be \$5000 per person. Training 4,000 developing country professionals would cost \$20 million/year. Private sector could provide in-kind contributions of equipment and trainers and development of curriculum.

- b. **IT Volunteers:** G-8 countries could set a goal of collectively sending 5,000 private sector IT professionals from developed countries to spend a semester in developing countries. This would build on existing efforts such as the U.S. Government's Global Technology Corps; NetCorps Canada International and other efforts that currently help match private sector volunteers with projects that need it.

### **3. Promotion of innovative applications of IT for developing countries**

- a. **Applications Training** -- Foundations and NGOs with experience in use of the Internet in specific application areas (i.e. telemedicine, micro-e-commerce, public health information, cultural preservation, etc.) could commit to partnering with G-8 and corporations to add application-specific training to regional conferences.



- b. **Digital Libraries for Development:** Sponsor "digital libraries for development" in areas such as: Public health; Agriculture; Micro-enterprise and policies towards the informal sector; and education and training. Digital libraries could contain courseware, case studies, reference material, statistics, papers, etc. Also help support "communities of interest" through e-mail discussions and other forms of interaction between practitioners.

*Cost:* \$2 million/year per library.

- c. **Expand efforts of multilateral institutions to promote innovative applications:** Expand programs in multilateral institutions such as InfoDev.

#### 4. **Encourage creation of IT businesses in developing countries**

- a. **Create venture funds and incubators:** Provide risk capital and managerial and technical assistance to IT businesses in developing countries.
- b. **Create "social venture" funds:** These funds would look at both the commercial and social rates of return, and might support projects that can be self-sustaining (e.g. community access centers that provide telephony and Internet access) -- but are unlikely to provide the huge potential "upside" (10x or more return from initial investment) that VC firms are looking for.

#### 5. **Encouraging the Development of Technology for Meet Needs of LDCs.**

Provide Design and Development Incentives for low-cost computing and communications devices for LDCs. These should include devices that can be used off the power grid, without a wired telecommunications infrastructure, and that operate on visual or verbal commands for low-literacy populations.

- a. **Centers of Excellence for Affordable IT:** Governments, foundations and the private sector could support the establishment of university-based "centers of excellence" that would conduct research and development on low cost devices, connectivity and applications to make IT widely available in low-income communities. Centers of excellence would be funded in both developed and developing country universities. Centers would also provide inter-disciplinary education and training at the intersection between IT and development.

*Cost:* \$5 million per center per year - \$50 million for 10 centers.

#### 6. **Create "Development in the Information Age" Network**

- Participation from both developed and developing countries, and both government, private sector, foundations, and community-based organizations.
- World Bank secretariat, but not "owned" by the Bank.

- 
- Has responsibility for creating "one stop shop" for readiness assessment, creating a forum for discussion and consensus-building on these issues, and collecting/disseminating best practices among developing countries.



MAY-16-2000 13:28

US DEPT OF COMMERCE

5123818177



CROSS BORDER INSTITUTE FOR REGIONAL DEVELOPMENT  
THE UNIVERSITY OF TEXAS AT BROWNSVILLE AND TEXAS SOUTHMOST COLLEGE  
80 Fort Brown • Brownsville, Texas 78520 • (956) 983-7313 • Fax (956) 983-7312



ITESM  
Cortés Monterrey

CROSS BORDER INSTITUTE FOR REGIONAL DEVELOPMENT (CBIRD)  
*Bridging the "Digital Divide"*

- ❖ **CBIRD** is a bi-national, bi-cultural, bi-literate social and economic development institute in the Texas-Mexico border region with two separate headquarters—one at the University of Texas, Brownsville, and the other at the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) in Monterrey, Mexico.
- ❖ **CBIRD's vision** is "one region-one future." **CBIRD's mission** is to contribute towards the emergence of an integrated, linked region based on a knowledge-based economy and shared vision.
- ❖ **CBIRD's goals** are:
  - To transform and diversify the economic and social structure of the border region through 21<sup>st</sup> century digital technologies for manufacturing, business, services and health care that improves the new economy and positions the competitiveness of the region's communities for the 21<sup>st</sup> century.
  - To improve each individual's standard of living and the quality of life as well as the environment of the region.
- ❖ **CBIRD's goals** will be met in compressed time frame and will take place seemingly simultaneously, rather than sequentially, thereby taking 3 to 10 years, what in the past required 20-50 years. In short, CBIRD will be a "think" and "do" tank to help the target region "leap frog" from the post-industrial society to the new digital, knowledge economy.
- ❖ **CBIRD's Focus is on four major areas:**
  - Develop community career ladders and training.
  - Create community networking and links within the border region as well as with the global cyberspace based on emerging broadband and information technology.
  - Identify next generation technology based manufacturing industries, businesses and services, including health care and tourism to attract to and develop in the region.
  - Share and disseminate knowledge by encouraging community and regional cooperation and collaboration between government, private business, academic institutions, and foundations and not-for-profit entities in communities on each side of the border.
- ❖ **Expected outcomes:**
  - Help create one fifth of the jobs needed on the Texas side for the next decade within the region encompassed by Brownsville, Corpus Christi, Laredo, McAllen, (i.e. about 4,700 per year starting 2003 at a cash investment of about \$2,000 per job).
  - Bridge the "digital divide" in the cyberspace, facilitate internet for the region and bring region's members on line for e-commerce, e-business, web-based community, educational, training, telecommunications and other services.
  - Identify and remedy community institutional gaps for the next economy,
  - Strengthen cultural and next generation technology ways to do things better, faster and with a sense of continued personal, community and regional pride.
  - Increase the number of technology-based jobs thereby raising the per capita income by 40-60% on both sides of the border from \$17,516 to \$ 24,522 (assuming a 40% increase).
  - Create institutional and business public-private strategic alliances benefiting each community and the region in general.
- ❖ **Require** three million dollars per year for at least the first three years to leverage private capital and implement the various CBIRD programs and projects to help put in place the necessary civil, civic, and technology community and regional infrastructures. See details in the attached budget.

OPTIONAL FORM 80 (7-90)

FAX TRANSMITTAL

# of pages

|                 |         |
|-----------------|---------|
| To              | From    |
| Cherster Straub |         |
| Dept/Agency     | Phone # |
|                 |         |



Cross Border Institute is a joint Partnership of The University  
Instituto Tecnológico de Estudios Superiores de Monterrey,  
and the Houston Advance



MAY-18-2000 13:29

US DEPT OF COMMERCE

5123818177



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**CROSS BORDER INSTITUTE FOR REGIONAL DEVELOPMENT (CBIRD)**  
Three-Year Budget (In constant dollars as of March 2000)

|                                                                  |              |
|------------------------------------------------------------------|--------------|
| 1. CBIRD Staffing Expenditures                                   | \$ 1,070,000 |
| CBIRD Staff Salaries                                             | \$ 321,000   |
| CBIRD Staff Benefits(30%)                                        | \$ 695,500   |
| CBIRD Staff Overhead (50%)                                       | \$ 2,086,500 |
| Sub-total Staffing Expenditures                                  | \$ 305,000   |
| 2. CBIRD Operational Expenditures, Supplies, Travels, Tel., etc. |              |
| 3. CBIRD Next Generation Programs and Budgets                    | \$ 2,000,000 |
| Community Career Ladders Training and EnterTech                  | \$ 1,300,000 |
| Community and Regional Networks Development                      | \$ 1,200,000 |
| Regional Community Knowledge-base Benchmarking                   | \$ 1,250,000 |
| Community Strategic Management Resource Tool (SMART)             | \$ 5,750,000 |
| Sub-total CBIRD Next Generation Programs & Budgets               | \$ 858,500   |
| 4. CBIRD Capital and Equipment Expenditures & Contingencies      | \$ 9,000,000 |
| Total Three-Year Budget                                          |              |



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Instituto Tecnológico de Estudios Superiores de Monterrey, Instituto IC<sup>2</sup> of The University of Texas at Austin,  
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Houston Advanced  
Research Center



**Executive Summary**  
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*Bridging the Digital Divide*

- C-BIRD is a binational, bi-cultural bi-literate social and economic development institute in the Texas-Mexico border region with two separate headquarters: one at the University of Texas at Brownsville, and the other at the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) in Monterrey, Nuevo Leon, Mexico.
- C-BIRD's vision is one vision - one future. C-BIRD will contribute toward the emergence of an integrated, linked region based on an information-based economy and shared vision.
- C-BIRD's goals are:
  - To transform and diversify the economic and social structure of the border region through 21<sup>st</sup> century digital technologies for manufacturing, business, services, and health care that improves the new economy and positions the competitiveness of the region's communities for the 21<sup>st</sup> century.
  - To improve each individual's standard of living and the quality of life as well as the environment of the region.
- C-BIRD's goals will be met in a compressed time frame and will take place seemingly simultaneously rather than sequentially, thereby taking three to ten years. In the past this has required 20-50 years. C-BIRD will be a "think" and "do" tank to help this region "leap frog" from the post-industrial society to the new digital, information economy.
- C-BIRD's focus is on four major areas:
  - Develop community career ladders and training;
  - Create linkages with the border region residents as well as with the global, Internet-based community;
  - Identify and attract next-generation technology industries, businesses, and services that the region can provide; and,
  - Share and disseminate information by encouraging community and regional cooperation and collaboration between government, private business, academic institutions, foundations, and non-profit entities in communities on each side of the border.

Expected Outcomes:

- Help create one-fifth of the jobs needed on the Texas side for the next decade within the region encompassed by Brownsville, Corpus Christi, Laredo and McAllen (i.e., about 4,700 jobs per year beginning 2003, starting with a cash investment of approximately \$2,000 per job);
- Bridge the "digital divide," facilitate an Intranet for the region and bring region's members on-line for e-commerce and web-based community education, training, and other services.
- Strengthen cultural and next-generation technology approaches to problem-solving in a more efficient manner, with a sense of continued personal, community, and regional pride;
- Increase the number of technology-based jobs, thereby raising the per capita income from approximately \$19,957 (1997 estimated Census figures) by 40 to 60 percent on both sides of the border.
- Create strategic alliances between institutions and businesses, both public and private that benefit the entire region.
- C-BIRD will require \$3 million per year for at least the first three years to leverage private capital and implement the various C-BIRD programs and projects to help install the necessary civil technology infrastructure.



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**PRESIDENT WILLIAM J. CLINTON**  
**REMARKS ON CREATING DIGITAL OPPORTUNITY IN RURAL AMERICA**  
**WHITEVILLE, NC**  
**April 26, 2000**

Acknowledge: Craig Turner, of Remote Data Systems; Ersine Bowles; Jim Hunt [Everyone knows that Gov. Hunt has made North Carolina a model for the entire country in educational innovation – through Smart Start, enhancing teacher quality, and demanding real accountability from every school. But many people forget that he has been a technology visionary for decades. In fact, back in the 1970s, when the Atari game player was considered a marvel of computer technology, they used to call Jim Hunt an “Atari Democrat.”]

Reps. Mike McIntyre, Eva Clayton, Robert Etheridge; Mayor Ann Jones; Qualcomm CEO Dr. Irwin Jacobs; Gene Sperling; Maria Echaveste; FCC Chairman Bill Kennard; Undersec. of Agriculture Jill Long-Thompson; Assist. Sec. of Commerce Gregory Rohde [RO-dee]; my business liaison, Jay Dunn, from Wilkes County. And I'd like to say a special word of appreciation to one person who is not here who helped us to develop our entire approach to closing the digital divide: Vice President Al Gore.

This is a fortunate time for our country. We have the strongest economy in history. We have the lowest African American and Hispanic unemployment rates our country has ever recorded, and the lowest female unemployment rate in 40 years. But we all know there are people and places that are at risk of being left behind.

Over the past year, on my New Markets tours, I have visited many of these places – from the inner cities of Newark and Hartford ... to Lakota and Navajo lands in South Dakota and New Mexico ... to rural communities like this one, where farmers are struggling, factories are closing, and Mother Nature has a way of washing away hopes and dreams.

But in each of the places I have traveled, I have seen a lot of untapped potential. I have met intelligent, able Americans eager for work. I have seen remarkable business opportunities for investors willing to look a few exits off the beaten path. That's what I saw this morning when I visited Remote Data Systems. That's what I want to help you to create throughout Columbus County.

Because Columbus County matters. And rural America matters. Rural communities feed our nation and nourish the values on which our country was born. In the words of George Autry, North Carolina's late, great champion of rural economic development, “Even those of us a generation or two removed from the farm trace our love of the environment, our feelings for fellowman, and our sense of place to the routines of rural community life.” My friends, I am a son of small-town America. I want every American to recognize that we can't flourish as a nation unless we tend to our rural roots.



In this day and age, one of the best ways we can do that is by helping every family and every business get access to the tools of the Information Age. And that is why when we decided to focus our third New Markets tour on efforts to close the digital divide, I knew we had to put special emphasis on rural America.

Of course, there are some people out there who don't know why we're making such a fuss about this digital divide. They say: "Don't worry. High-speed Internet access eventually will extend to rural communities. Just give it an extra 5 or 10 years." Well, I came here today to say: There's nothing high-speed about waiting that long. Why should rural America be stuck in the slow lane while the rest of the country is racing ahead on the Information Superhighway?

It is fitting that we meet today at an old railroad depot. Just think how important the railroads – and then electricity, bridges, and the good roads for which North Carolina is famous – were to the economic development of this state. Today, affordable, high-speed Internet access is every bit as important. It will allow companies like Remote Data Systems to communicate far more efficiently with customers and suppliers. It will help farmers find markets for crops and cattle ... give families in rural health clinics access to the finest medical specialists ... and give students in even the most remote schoolhouses access to the same world of knowledge, at the same instant, as children in the wealthiest communities in America. I believe that these new technologies can be the greatest equalizers our society has ever known.

I know that your Governor agrees. That's why he appointed Erskine Bowles, one of the finest men I know, to head the Rural Prosperity Task Force. Let's face it: there are a lot of task forces out there. But this man puts the force back into Task Force.

As you've just heard, Gov. Hunt and Erskine Bowles have already reached an agreement with Bell South, Sprint, and GTE to make affordable, high-speed Internet access available for every citizen and business – no matter where they're located – within the next three years. This is a stunning achievement for the people of North Carolina. That's what I call high-speed access. I congratulate you all.

But, of course, if we want these technologies to spread to every part of rural America, we've got a ways to go. Today, the Departments of Commerce and Agriculture are releasing a major report on the state of advanced telecommunications in rural America. The report, which was commissioned by 10 Democratic Senators, documents the disparities between urban and rural areas in high-speed Internet availability. It found that although well over half of all cities with more than 100,000 people had access to DSL service, one of the most common high-speed Internet technologies, only 5% of small towns could get this same service. And as you've already heard, even when high-speed service is available in rural communities, it is often unaffordable.

That's why I am so pleased with the agreement you have reached here in North Carolina. And that is why we want to help every state follow your lead. Already, through the E-rate initiative, our Technology Opportunity Program, and our new Technology Literacy Challenge, we're helping to provide computers, training, Internet access, and innovative software to thousands of communities across the country. My new budget goes even further. I'm asking



Congress for loan guarantees to companies that are willing to provide high-speed Internet services to rural areas; tax incentives to encourage private sector firms to donate computers and provide technology training to their workers; funding to help all new teachers use technology effectively in the classroom; and resources to create 1,000 community technology centers across the country.

Today, I am also proud to announce two new federal commitments that will make an enormous difference. First, the Rural Utilities Service, the successor to the Rural Electrification Administration, is proposing to expand its \$670 million telecommunications loan program so that companies can use it to offer high-speed Internet services, not just basic phone service. Second, the National Science Foundation will increase its research investment in high-speed Internet technologies by \$10 million, with particular focus on the needs of rural America.

A few weeks ago, I issued a National Call to Action for Digital Opportunity – to enlist the support of businesses, community groups, and foundations in bringing 21st century technology into every school and every community. Today, I want to highlight some of the ways that forward-thinking firms are answering our Call to Action for the benefit of rural America.

Over the next two years, Qualcomm will invest \$1 million to deploy its new high-speed wireless technology to at least eight rural and underserved communities, including Columbus County. MCI/WorldCom will invest \$2 million to increasing wireless Internet access in three rural communities in the South. AT&T is making a \$1.2 million investment to develop information technology and network management training with North Carolina State, North Carolina AT&T, and other distinguished universities. And Red Hat Software, based in Durham, will provide free professional training and certification in the use of its software to employees of 100 rural small businesses. I am grateful to all of these public and private organizations for their commitments. I will continue to work with them and others until you have all the technological tools you need and deserve.

A half century ago, Gov. Kerr [KAR] Scott forever altered the course of North Carolina's economy and society with his remarkable program of farm-to-market roads. For the first time, farmers in remote areas were able to get their perishable goods to markets throughout the state and the nation – alleviating the pressure for rural North Carolinians to crowd into cities, empowering thousands of families to earn a good living in rural communities.

Today, with same foresight and the newest tools, North Carolina is setting out to build the farm-to-market roads of the 21st century. In the words of Kerr [KAR] Scott, you have “consulted courage and chosen to invest” in every corner of this state. And I am deeply grateful. For as you lay down new cable in this county, you are laying down a marker for this county. You are saying, we cannot – and will not – leave rural America behind.

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