

MTA Commentary—Economic Stimulus, Part II
January 21, 2009

In his inaugural address to the nation yesterday, President Obama listed some of the formidable challenges that lie ahead of our nation, and some of the policies he plans to pursue. Near the top of the list, of course, is the economy. The President and Congress already are developing plans for a package of proposals to help stimulate our economy. The details of the stimulus package continue to emerge. In general, the package appears to include some combination of tax reductions and infrastructure investment.

In fact, last week, House Democrats released a discussion draft the “American Recovery and Reinvestment Act.” The package contains \$825 Billion of infrastructure investment and tax reductions. Included among the proposals are \$6 billion of broadband investment incentives.

In the past, I have talked about the value of broadband communications, as well as various reports that question America’s standing in the world in terms of broadband deployment. On the matter of the value of high speed communications networks to the nation’s economy, there is no doubt that broadband deployment truly qualifies as infrastructure investment. High speed communications networks form the foundation that enables more efficient, more effective economic activity, whether such activity involves personal communications, education, health care or business sales and marketing, to name just a few uses of broadband infrastructure. Investing in broadband really does help the economy.

But we need to be careful with how we invest in our broadband infrastructure. And we need to be sure we have our facts right before we make additional expenditures. For example, as I discussed last month, one widely-cited study ranks the United States 15th among developed countries in terms of per capita broadband usage. However, we rank above Japan, considered one of the most “wired” nations in the world. And practically each one of the countries that rank above us could fit inside the borders of Montana. Moreover, the same

widely used study puts the U.S. in first place by a factor of more than two times above the second place country—Japan—in terms of total population using broadband communications. And these statistics don't even include as many as 70 million broadband connections in the U.S. that weren't counted in the study.

Further, there have been studies that explore why broadband is not subscribed to even when it's available. That is, it's worth noting that even where investment in broadband is *made*, there's no guarantee that broadband is *used*. According to several studies, broadband usage—or non-usage—is more related consumers' education and income. Deployment of additional broadband capability won't change that situation, at least not immediately.

To some extent, we see this in Montana. Montana's independent telecom providers are deploying broadband capabilities to the edges of their networks, reaching as many as 100 percent of their customers. And yet, the average uptake by customers is in the range of 60 to 75 percent. We can't determine precisely why there is a differential between availability and usage, but we suspect part of the reason is cost, and another part is that some people don't—yet—see a benefit.

This is not to say that we're sitting pretty when it comes to ubiquitous deployment of high speed communications networks. We're not. There are customers and areas that remain unserved, or at least underserved with broadband capabilities. And the economic stimulus packages that are being contemplated can help—if they're crafted and implemented correctly.

One Obama Administration official has said that economic stimulus needs to be “timely, targeted, and temporary.” In other words, investment incentives need to be turned into actual investment quickly to have their desired effect on the economy. Further investment needs to be targeted to where it actually is needed. And it should be focused on one-time investments, so that we don't create a long-term dependency on public support.

An investment in broadband infrastructure, for example, in an area that already has broadband not only would be a waste of money, but it would threaten to create an entity that would be dependent on continued public support to

survive. Meanwhile, the existing broadband provider in such a situation would face an “uneconomic” competitor. In this situation, the existing provider would be weakened. And when public support goes away, there would be the risk of leaving two broadband corpses behind where one viable operation existed before.

Fortunately, both Congress and the Montana Legislature are watching. As Congress reviews economic stimulus proposals, Montana Senate President Bob Story has proposed an Interim Committee to oversee and evaluate stimulus package funding. And Senate Minority Leader, Carol Williams, has requested a bill to establish a procedure for recommendations on expenditure of federal stimulus funds.

It’s good to see the Legislature exert its prerogative. Checks and balances work, because in addition to “timely, targeted, and temporary” stimulus policies, legislative participation in the process can stimulate accountability and transparency.

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