

MTA Commentary—Economic Stimulus and Broadband Deployment
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One of the most commonly-cited reports on international broadband deployment comes from the Organisation for Economic Cooperation and Development, or OECD. According to the OECD's Broadband Statistics, the U.S. ranks 15th among OECD members in terms of per capita broadband subscribership. Denmark ranks first. But wait. I'm no expert in geography, but I suspect, with the exception of Canada, that any one of the top 14 countries could squeeze itself inside the borders of Montana, with land to spare. So simply comparing broadband penetration in a country the size of the United States, versus a country the size of, say, Denmark is somewhat misleading.

In fact, according to separate statistics by the OECD itself, the US ranks first among its international members in terms of total broadband subscribers. Iceland, which ranks fifth in per capita subscribers, ranks 30th in total subscribers, with under 100,000 total subscribers. The US, on the other hand, weighs in with over 75 million broadband subscribers, more than 250% more than the next closest country—Japan—which has fewer than 30 million subscribers. (Incidentally, Japan ranks 17th in the OECD report, and it, too, could fit inside Montana.)

A closer look at the OECD data reveals even more to question about their accuracy. Earlier this year, for example, the Technology Policy Institute, a Washington DC think-tank, released a study entitled, "Understanding International Broadband Comparisons." Among other things, the report finds that OECD data do not accurately count business broadband connections. Data from the US Census and the Nielson Company together suggest that the OECD data may be missing as many as 70 million business broadband connections. Moreover, because of generally larger US households, per capita data will indicate lower percentages in the US compared to its international competitors. Normalizing for the size of US households alone would elevate the US to 9th among OECD members on a per capita basis. The Technology Policy Institute

finds that “broadband speeds consumers receive in the US are comparable to other wealthy countries...[and that] income is a much stronger determinant of broadband adoption than is location.”

This is not to say that we can afford to be complacent with regard to our investment in broadband technology deployment in the US—whether we rank 15th, 9th, or 1st in the world. Indeed, both Congress and the incoming Obama Administration are looking at accelerating investment in broadband technology deployment as a key part of an economic stimulus package to be introduced in 2009. And for good reason. Investing in broadband creates economic efficiencies and enhances health care, education and commercial opportunity throughout the economy, resulting in the potential creation of thousands of direct jobs and millions of indirect jobs. One economist from Northwestern University’s Kellogg School of Management estimates that increasing use of residential broadband in 2006 alone accounted for a \$15 billion “bonus” to gross domestic product.

So it makes sense to invest in broadband deployment. And, naturally, there are lots of recommendations being proposed for how to spend anywhere from \$5 to \$44 billion in economic stimulus funding for broadband investment. Policy recommendations include tax incentives, grants, loans, community network projects, and consumer education initiatives—among other things.

The trick will be in determining how, when, where, or even whether, to spend money on initiatives to accelerate deployment of broadband technologies. For example, tax policy may benefit some companies some of the time, but it may take longer to take effect than other policies, such as targeted grants or loans or reforms to existing programs. Fixing the way telecom providers compensate one another may yield more immediate, and effective results than other untested proposals. And then there’s the issue of who determines what gets funding, and what does not. Should additional funding target specific broadband speeds? Should it target low income and rural areas only? How much should be focused on adoption of existing broadband technology rather

than deployment? And who should make these determinations, under what conditions?

By targeting new investment only, Congress and the Administration risk sending the wrong signal to companies that have already invested heavily in broadband network infrastructure.

As usual, the devil is in the details. The next few weeks will be critical in forming appropriate strategies—and costs—for a broadband economic stimulus package. For us policy wonks, the next few weeks should be interesting and challenging!

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