Memorandum

To: Rahm Emanuel, President Obama’s Chief of Staff
From: Holly J. Fowler, Research and Policy Initiatives Director
Date: April 5, 2009
Re: Broadband Access Policy Alternatives Memo

Summary of Problem

The problem the United States faces is that too few people in America have access to affordable broadband Internet.

- Due to a lack of broadband access, many communities are suffering from missed economic opportunities.¹
- Communities without broadband are also suffering from missed job creation opportunities.²
- Lack of broadband has many negative impacts on communities including being unable to attract residents, students, and businesses; a decrease in property values; and a lack of online resources that connect citizens to information on health, education, research, and social/professional networking.³
- Broadband access is significantly more costly in US compared to other countries, thus, increasing the digital divide between the “haves” and “have-nots”.⁴

Broadband Access Policy Failure

- Increased demand for broadband services in US⁵ and increasing need for high speed internet is quickly becoming a staple service.⁶
- Broadband expansion in US has not been a priority for investment so US falls behind as seen in low penetration rates⁷ along with low levels of broadband access data.⁸

The cost of broadband services has increased due to a lack of government involvement and private sector failure, leading to a significant increase in the digital divide.9

Broadband Access Policy Goals

- Increase broadband penetration in the US.
- Provide broadband access to more citizens and communities across the country.
- Provide more affordable broadband services in the US to all citizens and decrease the digital divide.
- Promote digital literacy across the country.
- Create a comprehensive national broadband strategy to achieve all of these goals.

Broadband Access Policy Alternatives

1. Leave existing trends in place—Leave broadband access up to the private sector

Pros-

- Forces communities to be creative in how they get broadband access (creates environment for public private partnerships)10
  - Provides the incentive for communities to collaborate and form regional partnerships in addressing their broadband needs

Cons-

- Communities can miss out on significant economic gains11, including lost job creation,12 and a loss in community attraction for businesses, students, and citizens13.
- Broadband access remains expensive, possibly leading to a larger digital divide.14
- The US will fall further behind in broadband penetration compared to other countries, decreasing its ability to be globally competitive.15
- Private sector businesses are unable to see the overall impact (large positive externalities) of broadband in communities, therefore under investing in broadband infrastructure.16

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2. Information and Communications Technologies (ICT) Development through National Broadband Strategy-

**Pros-**

- A National Broadband Strategy enables improvements in quality and productivity in several sectors including agriculture, infrastructure, manufacturing, public administration, and services like finance, marketing, trade, distribution, education and health.\(^{17}\)
- This strategy includes government involvement in promoting digital literacy, defining a vision and strategy, investing in infrastructure, creating private sector incentives, promoting universal services through subsidies and grants, and promoting trust through safeguards.\(^{18}\)
- Government involvement in providing access to key technologies is a market need as private sector providers are not investing enough in broadband expansion.\(^{19}\)
- Canada has had significant success in their national broadband strategy and ranks among the top five countries for broadband penetration.\(^{20}\)

**Cons-**

- Broadband is similar to other market provided technologies and is sufficient in its current state.\(^{21}\)
- If the government fails to develop the right goals, mission, and policies to meet their needs, investment in ICT development nationally, will most likely fail.\(^{22}\)
- Broadband access provided to everyone, everywhere in the United States would be prohibitively expensive.\(^{23}\)
- A National Broadband plan cannot possibly address and understand the local or state specific needs and will fail to meet those needs if this strategy is implemented.\(^{24}\)
- Regardless of whether or not affordable broadband were offered to every citizen in the US, some (approximately 25%) would still not subscribe or use this service.\(^{25}\)

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3. Keep it Local- Using Public Networks-

**Pros-**

- Approximately 300 US communities are already doing this with success through building publicly owned networks to serve public interest, thus, meeting the community needs.\(^{26}\)
- Municipal communities have proven economic gain from their broadband development efforts. For instance, Lake County, FL has experienced 100% greater economic growth compared to other state counties.\(^{27}\)
- For each $ of broadband investment, the economy benefits nearly $3 according to the Bureau of Economic Advisors.
- Local government can help municipalities through various methods: as a financer using subsidies and grants to assist communities, as a rule maker through policy changes, as a stimulator of demand, as an infrastructure developer through various methods.\(^{28}\)

**Cons-**

- If demographics, supply-side factors, competitive alternatives, and the policy environment are not ready for broadband policy initiatives, the local initiative will not be successful.\(^{29}\)
- Almost all case studies for broadband initiatives in this research are municipalities with owned electric utilities leaving out a significant portion of communities.\(^{30}\)


