

NATOA Workshop: Paths Between Broadband and Jobs

Telecommunications regulators were united in their appreciation for the benefits of broadband but divided on exactly how the magic might happen.

By Steven S. Ross ■ *Broadband Properties*

The presence of broadband does not guarantee that a community will attract new jobs, but the lack of broadband will doom a community to economic stagnation. That was the consensus of participants at a preconference NATOA workshop in Washington, D.C., in September 2010. NATOA – the National Association of Telecommunications Officers and Advisors – focused on broadband and economic development at its annual conference this year.

The workshop was organized by Washington lawyer Jim Baller, who often represents communities that wish to establish their own broadband networks after private carriers claim they cannot justify privately funded systems. Baller is working with Broadband Properties on a daylong conference on economic development to be held at the Broadband Properties Summit next April in Dallas.

Said Sharon Gillett, chief of the Wireline Competition Bureau at the FCC and former broadband czar for Massachusetts, “Does broadband come to a community and magically bring a job? Broadband, like roads, has to be integrated into what we do. Broadband is a sine qua non. ... Not having it, you are going to be left behind. Like any infrastructure, it tends to help economic development.”

If some broadband is good, is more broadband better? There just has not been enough really high-capacity broadband for long enough to draw that conclusion for sure, but Gillett and others offered examples – anecdotal evidence, but strong anecdotal evidence. “Chatanooga just won the Municipal Broad-



band Project of the Year award from NATOA,” she said. The community is the first to widely offer 1 Gbps service. “A company called Tricycle there uses high-resolution images of floor covering they send to designers, instead of shipping prototypes to them.” The exchange is faster and cheaper, with savings passed on to customers, spurring sales.

Baller also noted, “If you don’t offer services or capabilities that are significantly beyond what is available today, you run the risk that you won’t stand out nationally or globally. ... One of the things we’ve learned is that if public communications projects don’t meet a significant need, [they will allow the] the private sector to catch up to them, and there will not be a significant rate of return.” In North Carolina, for example, local governments competed with poor-quality local cable until Comcast came in and bought the local systems and improved services.

Joey Durel, mayor of Lafayette, La., said his city is only major city in Louisiana that gained population since the last

decade. He attributes that growth to the city-built FTTH system there and offered many concrete examples, from the state’s LITE Center for Innovation to that fact that Pixel Magic came to town because broadband was available. The company, among other things, reformats older movies in 3D. But Lafayette also has the state’s second-largest university and gained population from among New Orleans refugees.

FOCUS ON SMALL BUSINESSES

Radwan Saade, an economist at the Small Business Administration Office of Public Advocacy, where he monitors the FCC’s impact on small business, said, “Congress asked us to study the menu of broadband available to small businesses. ... Small businesses in rural areas still have a tough time, especially [because] they don’t have options and they are not happy with the service they have, even if they have service.”

Saade noted that in the 1800s, “Railways equalized landlocked communities

About the Author

You can contact corporate editor Steve Ross at steve@broadbandproperties.com.



Left to right, Jim Baller (standing), Sharon Gillett, Radwan Saade, Michael Calabrese.

for more details about the Small Business Administration's findings.

WHAT THE FCC CAN DO

Gillett said the FCC has a number of levers to move the industry and thus to promote change:

- **Availability:** Chapter 8 of the National Broadband Plan found that there is a rural divide. Two-thirds of those without broadband are in areas served by major carriers – AT&T, Verizon, Qwest, CenturyLink – and the rest are in areas served by smaller telcos.



Jane Smith Patterson, executive director, e-NC, said her state agency doesn't allow anchor institutions in North Carolina to form separate, "siloeed" networks.

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much better when broadband became available."

Saade noted that FCC Docket 10188 covers issues of importance to small businesses and what needs to be done in the National Broadband Plan to help them. "Even the 4x1 [4 Mbps down, 1 Mbps up] is not there yet," he said. "The FCC itself notes that 14 to 24 million Americans still lack high-speed Internet, and the probability they will get it soon is bleak."

See "Small Businesses Want More Broadband Competition" in this issue

- **Adoption:** If we build it, will they come? Schools, like libraries, can now open after hours to allow public use of their E-rate-funded broadband connections. Some schools had already done that under a temporary ruling. When the coal mine disaster in West Virginia happened during spring break, government used the nearby school as a command center.
- **Sustainable broadband grants:** The FCC is watching these stimulus-funded grants to see how they play out. "Lifeline [the USF-funded pro-

with water-shore communities. Broadband should do the same. It is transformative." Soon after the 1996 Telecom Act, small Internet providers using leased lines numbered in the thousands, but all 7,000 were soon gone after regulatory and court decisions allowed incumbents to refuse to rent their lines to non-facilities-based carriers.

"Now there is another opportunity. All the grants from RUS and NTIA have one request in common – open access. Competition is important. Access is crucial for competition.... When Amazon started it did well ... [but] it did



Panel presenting economic development case studies, left to right: Joey Durel, mayor of Lafayette, La.; Don Means, founder, Fiber to the Library Initiative; Cindy Parr, Carroll Cable Regulatory Commission; Ed Hemminger, CIO, Ontario County, N.Y.; Ira Levy, CIO, Howard County, Md.

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gram] provides a subsidy for [voice] telephone service; we want to expand it into broadband, so we're looking at how things work out," Gillett said.

- Speed: Gillett recognized different opinions about the need for speed. "There are the skeptics, the all-out broadband [advocates], and then there is a third idea – that broadband is an ecosystem that is targeted to whatever we have today. If the ecosystem has 4 Mbps and you target for 100 ... there is a sweet

spot." However, she agreed with one questioner who asked whether, if the rest of the world has 1 Gbps speeds and the United States does not, Americans would be at a disadvantage. "Innovation often happens at the bleeding edge," she said. "The National Broadband Plan says Congress should make clear that local governments can build broadband networks. Federal and state policies should facilitate demand aggregation when it is possible and economic to

do so. E-rate now allows leasing of dark fiber of any regulatory classification of anchor institutions." Proposed rules, she said, include "a complicated section on incremental costs and allocation of costs to users ... especially if you build more capacity than you need right now."

Affordability, especially for small businesses: A survey by Gillett's office at FCC found that small businesses, especially those with 10 employees or more, were very nervous about broadband costs. Because 4x1 actual speed for households (which, Gillett admits, is more like 8 Mbps advertised) is a national target, businesses figure they need at least that speed to be competitive and take advantage of new broadband services. "A small medical practice with four practitioners needs 10 Mbps," she said. The FCC has two proceedings open now – Docket S10188 on small-business needs and a special-access docket on T1 and T3 services, which has been open for years. The special-access docket is examining whether regulation is working to keep prices reasonable. Currently, special-access circuits are more regulated than others; Ethernet-based services fall under a different regulatory regime.

CONFEREES' CONCERNS AND OBSERVATIONS

In the discussion at the workshop, conferees raised a number of issues. Their comments included the following:

- More resources must be devoted to training ordinary citizens as well as businesspeople in using broadband services.
- State and local officials often "don't get it," and broadband advocates have trouble explaining broadband's benefits.
- Franchise operators often have provided broadband free to public institutions as part of franchise negotiations. Minneapolis-St. Paul school districts, for instance, have some of the best broadband around. Now there is concern there that they will not be able keep it upon franchise renewal.
- We need new ways to permanently fund public access and economic development, no matter what the technology might be.
- Too many communities are hostile to wireless towers.
- Profit is not the best public metric, even when imposed by the private sector. We don't think of public safety in terms of the dollars it brings in. Still, a public network does have to have a moneymaking component. It needs to make money because taxpayers don't want taxes raised.
- Of the models linking broadband and jobs, none are quite right, but it is important to understand how to calculate indirect employment effects, including service jobs and so forth.
- State public utilities commissions, rather than the FCC, are often the biggest problem.
- Lawyers' lack of understanding of public/private partnerships is one of the biggest barriers. If they can't write laws to accommodate these partnerships, county commissioners can't vote to approve them.

ARE JOBS THE ONLY GOAL?

Baller, who represents NATOA on issues such as these, provocatively noted that "when we talk about economic development, we talk about jobs, but you can have 'successful' economic development without more jobs. [There is a] North Carolina company doing textile design that does better by using [broadband-enabled] labor from overseas." That company might not exist at all without broadband, or it might be less secure against competition.

Baller asked what a community like Bristol, Va., could have done when all the industries it relied on were in distress – coal, textiles and tobacco. The downturn was boarded up, and the whole region was in decline until the city built its FTTH system.

"Bristol's broadband service take rate is 62 to 65 percent, and the city has begun to attract major new businesses with hundreds of jobs. Two companies alone

ECONOMIC DEVELOPMENT



Final panel on drivers of economic development. Left to right: Lynne Bradley, director, Office of Government Relations, American Libraries Association; Gary Bachula, VP External Relations, Internet2; Sascha Meinrath, research director, Wireless Future Program, New America Foundation; John Windhausen, coordinator, SHLBC; Blair Levin, Aspen Institute (and chair of the National Broadband Plan project at the FCC).

[are expected to provide] 700 to 1,500 new jobs,” Baller said. “The incumbent [providers] also benefit – they have a smaller share of a growing market.”

The National Broadband Plan downplayed issues of international competitiveness, but Baller pointed out that the \$7 billion stimulus program for broadband is not going to make the United States a leader in broadband. “But it goes a long way; a lot of people will be learning how to do it all better, creating new enthusiasms.

“The National Broadband Plan is not the big, bold plan some of us hoped for, but it has 200 little and not-so-little ideas,” he said.

If you don't offer services or capabilities that are significantly beyond what is available today you run the risk that you won't stand out nationally or globally and ... [will allow the] the private sector to catch up ... and there will not be a significant rate of return.

As a result, he said, “We will beat the National Broadband Plan goals unless we are hijacked. ... Champions emerge; champions talk to others and decide that

it is feasible. They sell [the concept of ultra-broadband] to public and business leaders. That creates economic development and educational opportunity.” **BBP**



Panel on strategies for enhancing broadband and economic development, left to right: Denise Shorey, CIO, EagleNet; Jane Smith Patterson, executive director, e-NC Authority; Mark Ansbury, senior VP and CTO, OneCommunity; Joanne Hovis, president, Columbia Telecommunications Corporation and President-Elect, NATOA.