

Broadband for global communications

by Walter B. McCormick Jr., President and CEO of the United States Telecom Association

Broadband is a powerful communications tool in great demand as people find it essential to their daily lives. Demand for broadband is driving investment in the communications sector, which has stayed strong even throughout the global economic downturn. There are challenges ahead in making sure that broadband services can reach all parts of the world. Since this could require significant investment, government and industry will need to agree on goals and a means of investment to encourage future growth.



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Broadband Internet access is the world's fastest growing communications technology. Just as the telephone revolutionized communications 130 years ago, broadband is transforming the way people communicate and do business across the world. Broadband connections enable efficient use of the Internet to order goods and services, view bank accounts, communicate with schools, store medical records and keep connected to friends. A family in Indonesia can chat by online video connection with relatives in Britain. The bulk of important communications are done over the Internet, driving demand for more and better high-speed broadband connection services, and creating a strong, vibrant sector of the global economy

In the United States, Americans have adapted to broadband faster than any other technology. It took less than nine years for half of the country to become regular broadband users. By comparison, it took mobile phones 16 years to reach the tipping point, and the personal computer and cable television 20 years. Instant data communication tools are an accepted, expected way of life.

The popularity of broadband is driving the robust growth of the communications industry, a sector that has stayed strong even throughout the global economic downturn. Last year alone, broadband providers in the United States invested more than US\$60

billion in communications infrastructure, even as the overall economy slumbered. Over the last ten years, US industry has invested more than \$700 billion building broadband infrastructure. Demand for broadband is worldwide, growing by the day as more people incorporate Internet use into their daily lives.

The United States is a world leader in Internet innovation - in advancing cutting-edge technologies and applications. Social networking - through applications like MySpace, Facebook, and Twitter; Search engines - such as Google and Bing; Internet commerce - through Amazon and eBay; new devices - such as the iPhone, iPad, Nook and

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Kindle; and new communications media, such as YouTube, are driving increased use of the Internet, and each originated in the United States. From garage inventions to Wall Street powerhouses, Internet companies have grown up in a policy environment that has encouraged competition and private sector investment. Entrepreneurs have been able to realize their dreams on the Internet, and their inventions have created millions of new and high paying jobs in the US.

Worldwide investment is responding to that demand. Among countries belonging to the Organization for Economic Co-Operation and Development (OECD), investment reached US\$185 billion in 2007, an increase of nine per cent a year since 2005, according to the OECD's 2009 Economic Outlook report. Broadband is now the dominant fixed access method in all OECD countries, the report said. In 2008, Japan and Korea became the first two countries to have more fibre-based subscriptions than either DSL or cable.

The sector has declined slightly during the recent economic downturn, but has fared better than other industries. In 2009, US investment in telecommunications declined at a rate of 5-10 per cent, compared with 18 per cent for overall private capital investment.

Policy challenges

With the power of broadband so evident, the need to expand service to all parts of the country is the next challenge. President Barack Obama made broadband deployment a goal during his presidential campaign. The US Federal Communications Commission staff carried out his vision through the creation of a National Broadband Plan. The US telecommunications industry supports the plan's goals of expanding broadband usage. About five per cent of the US population does not have access to fixed-line broadband at a speed threshold specified in the National Broadband Plan.

Building more infrastructure is only one part of the solution. Some people simply are not subscribing to services even if they are available. The latest US government studies show that about a third of those who have access to broadband connections

at home don't subscribe. Interestingly, cost isn't the primary reason people don't subscribe to broadband even when it is available. According to the Pew Internet and American Life Project, only about five per cent of adult Americans cite price as the reason they don't have broadband. For many, the issue is perceived value; nearly 40 per cent of those who choose not to have broadband say it is simply not relevant in their lives. There also are technology barriers. Consider that 95 per cent of US homes have broadband availability - but only 80 per cent of homes have a personal computer.

Digital literacy comes into play, too, especially in making sure that older generations and those lacking technical education can participate in this new and fast-emerging online world. These issues are ones that industry, lawmakers and policy officials all agree need to be addressed. President Obama's Administration, the Federal Communications Commission, and leaders in both parties of Congress all believe in the potential broadband adoption has for jobs, for the information economy and for improving quality of life.

The United States Telecom Association has consulted with the Federal Communications Commission about the idea of going out into a few US cities and experimenting with different offerings to see what types of programmes might be most effective in getting non-adopters to make the leap into broadband. Some options discussed include a discount for a certain period of time, subsidies for the cost of computers, and providing training to help people use the services in a way that makes sense for them. Many USTelecom members directly or indirectly help low-income families purchase and learn how to use computers or provide a place where people can have access to broadband.

A challenge facing policy-makers and industry is the cost of expanding broadband infrastructure to truly remote areas where there is no business case for building a network. There is a positive role for government to play with regard to broadband deployment and adoption. US

companies are making investments in rural areas using private funds and the help of a governmental universal service programme, which is slated for revisions so it can expand support for broadband services.

Yet there is also a risk. If regulators adopt policies that discourage investment, growth could stall and competition could decline. The World Telecommunications Union studied these issues at a conference in June. “A careful balance will be needed between a hands-on and hands-off approach to regulation, based on assessment of the broader impact on the whole of the society,” concluded the final report.

What lies ahead?

An article in the *Guardian* ten years ago accurately predicted that there would be a growing social benefit with the ability of being able to make a phone call anytime from anywhere. Today, it is more than a social benefit. Businesses, government and consumers demand the fast, high quality transmission speeds. Driving this demand is the rapid innovation occurring on the Internet. Creation of new applications, online shopping, education and health all require robust and flexible broadband networks.

The future is bright for faster and better communications tools and for some that we can't foresee today. It would have been unthinkable 40 years ago to imagine connecting with friends and family in far-flung regions of the world through live video, instead of waiting days for letters. With an Internet that is robust, continually evolving and accessible to the entire world, new broadband communications tools will provide an important part of the global economy's foundation. ●