EXECUTIVE SUMMARY: THE BROADBAND ADOPTION INDEX

I. What is the Broadband Adoption Index ("BAI")?

The Broadband Adoption Index ("BAI") provides a policy-relevant and economically-meaningful conceptual framework for policymakers by constructing a broadband performance index based on the social value of the different connection modalities.

II. Why do we need the BAI?

The importance of broadband is not in its count. Broadband matters because it generates *value* of both a public and private nature. As such, any meaningful performance index of broadband adoption must be value-based. The BAI approach differs significantly from the simplistic "counting the connections" approach used by the OECD and other organizations (which is to add fixed broadband connections by both businesses and households and then divide by total population), because the BAI focuses on the value that consumers and society get from adopting various broadband technologies (cable, fiber, DSL, wireless, etc.).

III. How does the BAI work?

Implementation of the BAI begins with formulating meaningful targets of adoption. Using information gleaned from data on the types and prices of broadband services purchased and the demographic characteristics of the consumers, the BAI algorithm is used to establish sensible policy targets for broadband adoption or deployment based on maximizing societal well being. These targets will vary by technology, demographic group, and country. Indeed, each country will have its own unique set of adoption targets. Performance is then sensibly measured in reference to achieving the specified goals.

IV. What can we expect from the BAI?

Because it is focused upon social value, the BAI provides a sounder basis for comparing broadband adoption between countries than more commonly used metrics, like the OECD broadband rankings. The value-driven approach allows one to legitimately compare whether, say, Turkey is closer to maximizing the social value from broadband than, say, Japan. Merely comparing the raw, per-capita adoption rates of Turkey and Japan—two countries with markedly different population demographics, economies, and population density—provides little information relevant to broadband policy. Ranking per-capita subscription rates, while popular, is misleading for a variety of reasons, including, but not limited to, the specification of population as a target level of adoption when it clearly is not, the failure to account for variation in household and business size, the neglect of relevant demographic and economic differences across countries, and the exclusion of all but fixed broadband modalities in the count of connections. All of these defects are absent from the BAI. Comparing the BAI of those two countries would, in fact, carry great weight in determining whether one country's policy structure is more conducive to broadband deployment adoption than the other's policy structure, in part because the BAI can adjust for non-policy influences on broadband adoption.

PHOENIX CENTER POLICY PAPER NO. 36, *The Broadband Adoption Index: Improving Measurements and Comparisons of Broadband Deployment and Adoption*, may be downloaded for free at: http://www.phoenix-center.org/pcpp/PCPP36Final.pdf.