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Telecom lobbyists line up for piece of Obama stimulus

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By Kim Dixon - Analysis

WASHINGTON (Reuters) - President-elect Barack Obama's frequent use of the words "broadband" and "stimulus" in the same sentence has lobbyists lining up to get a piece of the expected largess in an economic stimulus plan.

Telecommunications companies are hoping to benefit from a variety of incentives under consideration, including a tax credit to target rural America, as lawmakers draft an economic recovery plan that could run about \$600 billion.

Meanwhile, consumer groups want cheaper, more widely available high-speed, or broadband, networks as well as vouchers to help the poor buy laptops.

"We've heard from and spoken to virtually everyone involved in the industry including telecom, cable and satellite" companies, a congressional source working on the issue said.

Backers of expanded access to broadband, especially in rural and other under-served areas, are encouraged by Obama's view of the technology as a tool for economy recovery. The United States now ranks 15th among developed nations in broadband adoption, according to the Organization of Economic Cooperation and Development.

"We're behind Latvia and Lithuania," said California Rep. Anna Eshoo, a Democrat who is refining a plan she submitted to U.S. House of Representatives Speaker Nancy Pelosi before the election. "I'm very excited about the prospects that we will have in the stimulus package a plan for building out broadband."

Obama, who famously used the Internet to mobilize millions of voters and raise record-breaking amounts of money in the election, recently cited Internet expansion as one of several infrastructure priorities to create jobs.

"The goal is to revitalize rural America by bringing high-tech jobs to replace those lost in manufacturing," said Derek Turner, research director at Free Press, a reform group that introduced its own \$44 billion investment plan this week.

The Free Press proposal includes a \$15 billion broadband infrastructure fund overseen by the Federal Communications Commission and run by the states, and a \$10 billion program to issue corporate bonds for broadband-related investment.

The key to any proposal is to prove it will create jobs.

"They (lawmakers) are looking at them through the lens of how many jobs will be created," said Jeff Campbell, senior director of technology and trade policy at Cisco Systems Inc., which makes network equipment.

Every one percentage point boost in broadband penetration per year is projected to increase jobs by 300,000, assuming the economy is not at full

employment, according to a 2007 report by the Brookings Institution, a Washington think tank.

The Telecommunications Industry Association, which represents equipment makers such as Cisco, wants Congress to offer investment tax credits ranging from 10 percent to 40 percent to builders of broadband networks, depending on size and type.

CORPORATE WELFARE WORRY

Some consumer advocates fear money in the stimulus bill will be hijacked by the telecommunications industry and corporate interests.

Telephone companies such as AT&T Inc and cable companies like Comcast Corp could see big gains under proposals for tax credits, among others.

Consumers Union and the Consumer Federation of America want Congress to give direct grants to consumers to buy computers and Internet services, rather than "to corporations with a hope and a prayer that stimulus will trickle down to citizens."

Efforts to boost demand should not be overlooked said Tom Koutsky, resident scholar at the Phoenix Center, a non-profit research group. For example, where there is low computer literacy and ownership, "there is no point at subsidizing a broadband network at this point in time," he said.

Policymakers know they will need to rely on telecommunications companies because they own the infrastructure network.

"If you don't have the fiber optics, no matter what you place in somebody's lap it's not going to work," Rep. Eshoo said.

Turner of the Free Press acknowledged the risk of the effort turning into a corporate hand-out.

His group calls for incremental release of funds and for companies to submit specific proposals to Congress before getting tax incentives and other funds, for instance.

"This is obviously not meant to be a bailout," Turner said.

(Reporting by Kim Dixon; Editing by Derek Caney)

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