OP-EDS

Wiring America

By Lawrence J. Spiwak
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According to recent data published by the Organization for Economic Cooperation and Development (OECD), the United States is ranked 12th (among 30 nations) in one measure of broadband subscriptions. As a result of this middling showing, politicians on both sides of the aisle are now clamoring for some sort of national broadband strategy.

Given the complexities of the telecommunications industry, a call for a national broadband strategy should be welcomed. However, this strategy must be developed with analytical rigor rather than hyperbole. Ranking-statistics are easily misinterpreted — for example, the difference in broadband connections per person between the United States, Canada, the United Kingdom, Belgium and Japan is less than three-tenths of one percent, a difference easily attributed to sampling error — and we should be wary of calls for new regulation. Instead, if we want to increase our rank, then we should seek to develop a sound strategy to increase broadband subscriptions based on three inter-related factors.

First, we need policies that will increase broadband network deployment, particularly to underserved areas. A household or business cannot buy what is not available. To this end, the Federal Communications Commission should be commended for its recent efforts to streamline the local franchise process for cable television service, because video is a key driver of broadband network deployment.

Second, we need policies that will increase the value of the broadband experience to consumers. And what do consumers value? Speed for one, so policy should encourage network operators to invest in their plant to bring consumers more bandwidth. Consumers also value increasingly sophisticated products and services, so policy should encourage firms to put intelligence into their networks, rather than seek to “commoditize” the Internet and turn it into a “dumb” pipe.

Third, we need policies that will encourage firms to provide a suite of product offerings, rather than a one-size-fits-all commoditized approach. This means policy should allow firms to provide a variety of pricing plans for different kinds of broadband services.

Perhaps the most pressing example of policy hyperbole can be found in the current debate over so-called “network neutrality.” This debate is motivated by the fear that network operators have the incentive and ability to sabotage third-party content in favor of their own and, therefore, new legislation is now required to preserve Internet “openness.” (There are ample protections under existing law to prevent such anticompetitive conduct).

While network neutrality sounds altruistic in concept, the problem is that such a policy would inhibit the very things we need to increase our rankings outlined above. To wit, economic research reveals that commoditizing the Internet would shrink the number of firms the market can sustain and reduce the incentive to invest. Similarly, current network neutrality proposals would reduce value to consumers by preventing different service offerings. But, most importantly, network neutrality proposals would prevent efficient contracting between parties, thus reducing broadband investment, shrinking the number of content providers and raising broadband prices for consumers.

The FCC’s recent decision to issue a Notice of Inquiry to examine the pros and cons of potential network neutrality regulation is an important first step in squeezing out the emotion moving the debate from fiction to fact. That’s the sort of thoughtful approach America needs to raise its OECD ranking by promoting investment in bigger and smarter broadband pipes at affordable rates for all consumers.

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