

broadband for all?

Stanford Levin reflects on international trends in broadband universal-service policy – and asks whether policymakers are clear on the important distinction between availability and use.¹

Not too long ago one might have thought that universal service in more developed countries was pretty much settled. Nearly all households had voice telephone service, and those that did not were often so remote that providing traditional wireline service was inordinately costly. Such households could, if policies permitted, sometimes be reached instead by fixed-base wireless service or (less frequently) by mobile wireless service. While not all parties might agree on whether or not universal service objectives had been fully met, or on the desirability of the funding mechanism used to achieve them, it was generally the case that universal service was no longer a pressing policy issue.

This situation changed, however, with the advent of broadband internet service. Dial-up internet service was generally available over the voice network, but broadband service required something more. Just as voice telephone service moved fairly quickly from being a luxury (or novelty) to being considered an essential service, broadband internet service is following this same path – although not with universal agreement. Nevertheless, policymakers in many countries are under pressure to include broadband service as part of any universal service obligation.

While countries have generally made clear their objectives for broadband universal service (these are usually expressed as a certain percentage of households connected at a certain minimum speed), the rationale for these objectives is usually less than clear. To date, the connection between broadband penetration and economic growth is not well documented; and the causality may run from economic growth to broadband penetration, instead of the other way as broadband policy advocates might wish. If economic justifications for universal service for broadband are not always robust, it may be that countries will articulate a social justification – although this has generally not been the case. There is certainly a great deal of enthusiasm around the world in more developed countries for increasing broadband penetration and for increasing broadband speeds, but this enthusiasm has not been matched by cogent and convincing rationales.

Availability versus use

When policymakers and others discuss broadband, they are not always clear whether the issue is the *availability* of broadband to subscribers (the percentage of households, for example, that have access to broadband) or its actual *use* (the percentage of households that subscribe to the service). This is an important distinction, as policies to address availability are different from those to address use. For example, 94% of US households have access to broadband service at 4MB (megabits) or more per

¹ Excerpt from the keynote address at the Asia-Pacific Regional Conference of the International Telecommunications Society, Wellington, 26 August 2010.

second – yet broadband is used by only somewhere between 66% and 71% of US households.

Subsidy programmes to extend broadband service can increase availability or speed, but they may not do anything to increase use (if that is the objective). Policies to increase use are different: they may, for example, involve reducing monthly usage charges or subsidising the cost of equipment necessary for accessing the internet while at the same time educating individuals about the value of internet use. It is important to be clear on whether the objective for broadband access is availability or use – and also to adopt policies that will meet that objective (something that has not always been the case).

To the extent that the objective *is* use, it is likely that lowering the cost of broadband access alone will not meet aggressive adoption targets. In the US, for example, price subsidies for broadband access (and other programmes to make broadband affordable) will not be sufficient to reach the FCC's goal of 90% of households using broadband by 2020. On the other hand, broadband in the US is often priced at a flat rate regardless of use: some form of tiered pricing, where the price of broadband access is related to the amount of use, would lower the price for customers who use broadband the least (and are likely to value it the least). Such tiered pricing could boost adoption.²

It is also peculiar that mobile communications – and, in particular, mobile broadband – are more or less ignored in the debate about broadband universal service. Certainly there are a growing number of individuals who use mobile services to access broadband. Ignoring these users distorts data and narrows the technological options under consideration for achieving universal service objectives.

Ultimately, it is important for any policy or government intervention to have a rationale as well as clear objectives of what is to be achieved. Broadband universal service is no exception.

Stanford Levin is Emeritus Professor of Economics at Southern Illinois University Edwardsville and a board member of the International Telecommunications Society. He co-chaired the Society's first Asia-Pacific Regional Conference, held in Wellington on 26-28 August.

² Tiered pricing is offered in New Zealand.